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MADRAS-8

TAMIL NADU ARCHIVES
MADRAS-8

ALL EGGS IN THE FOOD BASKET

BATTLE OF MINIMUM WAGES

DECLINE AND FALL OF PUBLIC SECTOR

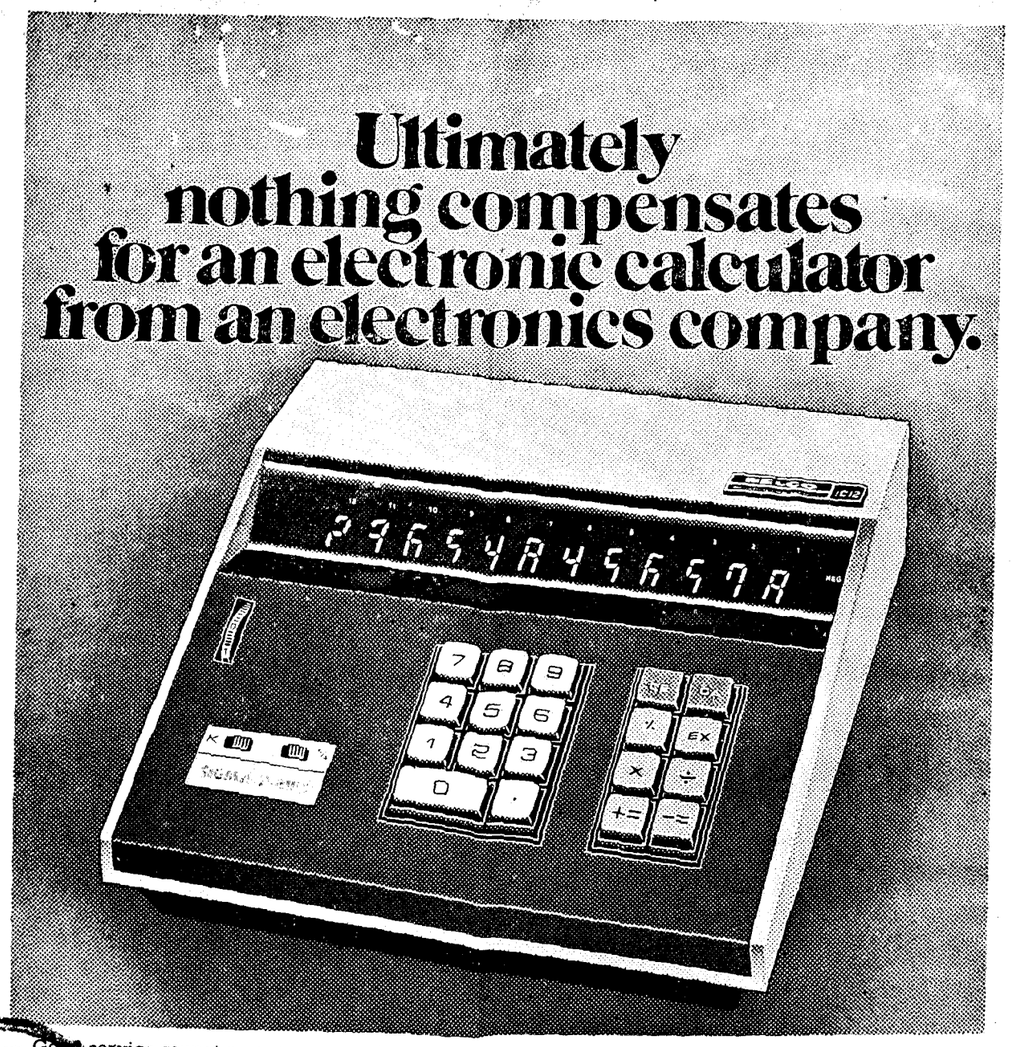
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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

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Perverse Priorities

A SEEMINGLY innocuous but thoroughly perverse proposal of the Budget for 1975-76 is that to allow a tax deduction for expenses incurred on higher education. It is proposed to allow a deduction in respect of children attending degree or post-graduate courses in medicine, engineering or other technical subjects at the rate of Rs 1,000 per child and at the rate of Rs 500 per child for children attending degree or post-graduate courses in other subjects or diploma courses in medicine, engineering and other technical subjects. The Finance Minister has estimated the loss of revenue from this concession, intended to "give some relief to middle class families who have to bear the burden of providing higher education to their children", at Rs 7 crores in a full year.

The list of tax exemptions and deductions has been getting longer and longer year by year. Most of these exemptions are intended to encourage savings and to channel savings into certain preferred forms. But however desirable the objectives which the exemptions seek to achieve, they are inequitous as between tax-payers with low and high incomes and, even more important, as between tax-payers and those whose incomes are below the tax base. By its very nature, the benefit of a tax exemption is restricted to tax-payers; the benefit will, further, be greater the higher the income and the higher the marginal rate of taxation of the tax-payer.

In the case of the deduction for expenses on higher education, a limit of Rs 12,000 per annum has been set, so that it is the inequity between the tax-payer and the *non*-tax payer which is really relevant here. If the government wants to subsidise higher education why should the subsidy be limited to "middle class families" with taxable incomes? Why exclude from the benefit of the subsidy those whose incomes fall below the taxable minimum — on whom, it is reasonable to assume, the burden of seeing their children through institutions of higher learning would be relatively much heavier? Instead of making a gift to tax-payers, the government could have used the amount for awarding scholarships to those most deserving of such assistance on economic grounds. When there is so much talk of the need to make higher education available to the poorer sections of the population, it is amazing that the government should come up with a proposal to subsidise higher education limited only to the tax-payers, who constitute a minuscule section of the population.

This is not, however, the only perverse aspect of the measure. Over the years, the government has encouraged the growth of higher education at the cost of primary education and the spread of literacy. This is all of a piece with the relatively rapid expansion of other goods and services of upper class consumption. While the date of achieving the target of universal primary education set out in the Constitution has been further and further postponed, the facilities for college and university education have been expanded manifold. The proposal to allow a tax deduction for expenditure on higher education is a further step in the same direction. While discussing the educational development programme for the Fifth Plan, the Central Advisory Board of Education had, two-and-a-half years ago, urged that free primary education should be made available to all children in the age-group 6 to 11 by 1975-76. The target year is almost upon us, but the objective is as far off as ever.

What is more, considerations of equity apart, the expansion of higher education has for quite some time outpaced the requirements of the economy — as can be seen from the growing numbers of educated unemployed, including those with technical degrees and diplomas. Thus it is not even possible to justify the tax exemption for expenditure on higher education in terms of the *need* to encourage more people to send their children to colleges and universities; on the other hand, the *need* to expand primary education and spread literacy can hardly be questioned. We already have far more of scientists, doctors and engineers, not to talk of those with other qualifications, than we seem to know what to do with — calling for, as a result, contrivances such as the Scientists' Pool to disguise the unwantedness of persons with high-falutin qualifications and to provide them with doles.

The deduction of expenditure on higher education can thus claim to serve no larger economic purpose. In the ultimate analysis, like everything else, it can be understood only by reference to the particular class interests which the government is out to serve. An agricultural labourer, an industrial worker, a petty clerk may wage a losing struggle to keep his son or daughter in primary school and get no sympathy or support from the government; the same government will, however, rush to the aid of "middle class families who have to bear the burden of providing higher education to their children".

Japan

Bouncing Back

THE Japanese engine of economic growth that had worked with such remarkable efficiency during the two-and-a-half decades almost upto the end of 1972 came to an abrupt halt in the first quarter of 1974 when Japan's GNP declined in absolute terms. It was generally believed last year that since Japan depended, much more than any of the other developed countries, on imported sources of energy, particularly petroleum crude, the Japanese economy would not only get a rude shock as a result of the steep rise in oil prices but would take several years to adjust to the new energy situation. The pessimists were even convinced that Japan would never again see the high growth rates of the post-war period.

It is still too early to say that the Japanese economy has successfully emerged out of the woods, but there can be no doubt that the indications are very favourable. Japan had a huge overall balance of payments deficit of $ 10 billion during 1973 when oil prices first started going up. The average price of oil in 1973 was $ 3.30 per barrel, taking the year as a whole. In 1974 oil prices rose sharply to $ 11.60 per barrel and Japan's oil import bill went up from $ 6 billion in 1973 to about $ 20 billion in 1974. Despite this, the overall balance of payments deficit in 1974 was lower by about $ 3.2 billion at $ 6.8 billion. When the rest of the world was still groaning under the impact of high oil prices, Japan experienced a trade surplus in June 1974, a current account surplus in August 1974 and an overall balance in September 1974.

Japan has also shown a remarkable performance on the price front compared to the other industrialised countries. In the first half of 1974, consumer prices rose 26 per cent in Japan and wholesale prices by over 35 per cent. The likely impact of higher oil prices on the domestic price level in Japan can be gauged from the fact that the increase in the cost of oil imports amounted to fully 2.5 per cent of Japan's GNP. Quarterwise the steepest rise in wholesale prices occurred during the first quarter of 1974 when they rose by nearly 15 per cent over the last quarter of 1973. However, in the second quarter of 1974 the rate of price rise over the preceding quarter declined sharply to 3.6 per cent; it further fell to 2.9 per cent in the third quarter and to 1.2 per cent in the final quarter. During the first quarter of 1974 consumer prices rose by 9.4 per cent over those of the last quarter of 1973, but thereafter the rate of increase of consumer prices came down to 5 per cent in the second quarter and 3.5 per cent in the third quarter. Though consumer prices rose by 4.2 per cent in the final quarter of 1974, they rose by only 0.6 per cent in November and 0.4 per cent in December.

The manner in which Japan has managed to contain the impact of the rise in oil prices on its balance of payments and to control inflation is as notable as the fact of the achievement itself. On the balance of payments side, Japan's success has been largely the result of a phenomenal increase in exports and a simultaneous reduction of the deficit on the capital account. Japan's exports increased by 50.5 per cent in 1974. This speaks for the way the Japanese had built up vast capacities for the production of items with a large and expanding demand in world markets and for the efforts made by trading firms and manufacturers to explore and expand new markets. Special attention was devoted to increasing exports to the oil-exporting countries. The slump in the domestic economy, the weakening of the yen in the international markets, the relative stability in prices of manufactures, especially after April 1974, and the strong competitive position enjoyed by Japan notably in steel, ship-building, automobiles and chemical fertilisers all contributed to the spectacular growth of exports. Though imports too rose quite fast, Japan had a trade surplus of about $ 4.4 billion in 1974. On the capital account, Japan's deficit fell sharply from $ 7.3 billion in 1973 to $ 2.6 billion in 1974.

The Japanese government has adopted tight monetary and fiscal policies to fight inflation. Considerable effort has been made to keep down government expenditure. Towards the end of 1973, the Japanese central bank jacked up its rate by two percentage points to 9 per cent. It also restricted increases in bank credit. These measures resulted in a sharp deceleration in the expansion of money supply. The rate of growth of money supply came down sharply from 25 per cent at the beginning of 1973 to 16.3 per cent in the last quarter of 1973 and to 11 per cent in the third quarter of 1974.

With the price level under control and the balance of payments position correcting itself rapidly, Japan seems to have virtually overcome the stagflation and the government is now seriously considering introducing reflationary policies. According to some recent estimates, the growth of Japanese GNP in real terms would be over 3 per cent in 1975. This may be compared to the anticipated fall of 4 per cent in US GNP in the current year. Indeed it should not be surprising if the Japanese economy finally ends up with a growth rate of 5-6 per cent during the year.

The Budget

Scant Respect for Law?

A LEADING light of the Indian bar has upbraided the government for showing scant respect for the law. The provocation for this rap comes from two of the proposals of this year's Finance Bill which seek to take away the effect of some High Court rulings. One of these proposals is intended to stop the exclusion from their taxable income of the compensatory allowance received by salaried employees on account of their posting in certain cities. A judgment of the Bombay High Court has declared such allowances to be exempt from income tax on the ground that they represent reimbursement of expenditure "wholly, necessarily and exclusively incurred in the performance of duties". The other Budget proposal in question aims at restoring the efficacy of one of the statutory provisions governing the deduction of expenditure in the computation of business income, viz, the one relating to the deduction of contribution to employees' gratuity fund. Some recent judgments of the courts have tended to undermine the force of these provisions by permitting even provision (as distinguished from actual contribution) for gratuity liability of employers and furnishing a handy device to large business concerns for reducing their tax liability.

Legislative action to modify or override the effects of judicial decisions in the tax field is nothing new, either here or abroad. Only the other day the British Parliament changed the law relating to valuation of unquoted shares for tax purposes, nullifying thereby the effect of a unanimous ruling of the House of Lords and upsetting a well established rule that dated from 1894 (section 5 and schedule 20 of UK Finance Act, 1973). This action of the legislature did invite criticism from commentators — on the ground that it "introduced further uncertainty into an area where opinions may differ", but not because it purported to undo the effect of the pronouncements of the House of Lords, the highest judicial authority of the land.

Legislative measures must be considered on merits and judged by accepted standards of fairness or other such relevant criteria rather than in terms of legal rectitude. The eminent lawyer has, of course, pointed to the inequity of it all — to the sheer pettiness of trying to tax the 'miserable' sum that government servants receive as city compensatory allowance. The same charge of pettiness will no doubt be levelled if any one questions the propriety of raising the exemption limit for house rent allowance received by salary earners from Rs 300 to Rs 400 per month, as proposed in the Finance Bill. There is little point in trying to refute such charges. The trouble is that those whose hearts overflow with sympathy for, say, the miserable government servants seem to forget that there are a still more miserable lot around, who, what is more, constitute over 90 per cent of the population and that a rupee saved in taxes for those who look miserable despite their being in employment (an increasingly rare privilege in this country) almost certainly means a rupee more of tax on those who are in much more desperate straits. This is not to mention the immense avoidance opportunities that would be opened up if the High Court's ruling was allowed to stand.

The case for accepting the judicial view in the matter of deduction for contribution to gratuity fund is not any more persuasive. The need for making a special provision in the tax statutes to regulate this deduction arises primarily from the fact that when the moneys involved are not actually parted with there can be no valid ground for treating them as a deductible expenditure. Of course, the mercantile system of accounting recognises liabilities as expenditure long before they are discharged. But a line has to be drawn between a definitely committed liability and a provision. It is one of the basic tenets of income accounting as laid down by the courts themselves that no cognisance can be taken of a mere provision, however scientifically determined. Recognising a provision as expenditure, when it is based on nothing more than an anticipation of a future liability, is also inconsistent with the stand often taken by the courts that the discounted present value of a receipt to be realised in future cannot be recognised as current income even when the gain is measurable with reasonable certainty.

Dairy Development

On the Wrong Tracks

THE ambitious Operation Flood scheme for dairy development in the country deserves more serious treatment than it received at the hands of the chairman of the Dairy Development Corporation at his press conference in Bombay on Wednesday. The DDC chairman sought to discuss the progress of the scheme almost entirely in terms of the improvement in the supply of milk to the four metropolitan cities. And since he was addressing local pressmen, he could not resist the temptation to play to the gallery by harping on the improved availability of milk under the Bombay milk supply scheme particularly — almost as if no further evidence was called for to establish the success of the scheme.

Even judged, wholly inadequately, in terms of the availability of milk in the four metropolitan cities, the DDC chairman's smugness about Operation Flood is without any basis. The achievements of the scheme have consistently lagged behind targets and, what is more, the lag has increased over the years. The average daily throughput of milk of the dairies in the four metropolitan cities was 67 per cent of the target in 1970-71, but by 1972-73 the figure had declined to 44 per cent. The position in Calcutta was particularly dismal: against the target of 6.50 lakh litres the actual average daily throughput in 1972-73 was 1.73 lakh litres or just about 27 per cent. Even the supposed improvement of milk availability in Bombay has to be seen against the sharp increase in the price of milk charged by the dairies. Now, there may be no economic or social case for supplying milk to the urban middle classes at especially low prices, but the point is that the improved supply of milk to Bombay has very likely been induced by the increase in price and Operation Flood may have had not much to do with it.

The DDC chairman's claim that thanks to Operation Flood, India was now in a position to do away with the imports of butter oil and milk powder received as 'gifts' from abroad is similarly unconvincing. We currently import over Rs 20 crores worth of milk powder and butter oil and probably receive an equal quantity as 'gifts'. According to one estimate, as of the middle of last year, roughly one-half of the milk supply to the four metropolitan cities consisted of reconstituted milk, made out of milk powder and butter oil.

Indeed, the most damaging criticism of Operation Flood has been precisely this — that the setting up of sophisticated milk processing plants, with substantial import components, under the scheme has made far more rapid progress than the efforts to increase the indigenous production of milk. Inevitably, therefore, the processing plants have been dependent on imported milk powder and butter oil. This is an officially admitted fact. Pointing out that Operation Flood is two years behind schedule, the Draft Fifth Plan adds pointedly that "a more unsatisfactory aspect is the lack of emphasis on the indigenous milk production programme". The Draft Plan, therefore, lays special emphasis on raising milk production "so that the dependence of [the] dairies on imported SMP [skimmed milk powder] and butter oil is eliminated as early as possible". The DDC chairman's attempt to play down the failure of Operation Flood on the milk production front by suggesting that initially the objective is to enable the existing production of milk in the rural areas to be processed and marketed more efficiently and that the effort to increase milk production would follow this is hardly convincing.

A review team consisting of representatives of the FAO and other UN organisations — the press conference was in fact to introduce the members of the team — is currently assessing the progress of the Operation Flood. Even so, there is need for a serious indigenous attempt to review the scheme. Apart from probing the slow progress of the scheme's milk production programmes such a review must investigate the larger economic and social implications of the particular technologies and organisational forms for dairy development emphasised under the scheme. Thus it has been pointed out, for instance, that the livestock development strategy of increasing the number of cross-bred cows, particularly through artificial insemination with semen from exotic high-milk-yielding varieties, benefits large farmers mostly, since medium and small farmers find the cross-bred cow beyond their financial means to acquire and maintain. Similarly, the co-operative marketing societies — which have become an article of faith with the government in dairy development — need not at all reduce the dependence of the small milk producers on middlemen and village leaders whose power and influence may, on the other hand, be actually enhanced because of the large development funds, from the government and from financial institutions like banks, put at the disposal of the co-operatives controlled by them. These and other similar issues need to be investigated thoroughly before Operation Flood — thanks to the overpowering financial and political support it enjoys from abroad — puts dairy development in the country on the wrong tracks permanently.

Portugal

Keeping the Lid On

THE attempted coup earlier this month and the subsequent flight to Spain of General Antonio de Spinola, former leader of the Armed Forces Movement (AFM), underscore the many political questions left unanswered by the coup of April 25, 1974 which had overthrown the fascist regime of Caetano in Portugal. The AFM had made the conservative Spinola its titular head in a bid to regroup the anti-fascist forces. General Spinola and those behind him sought, on the other hand, to use the AFM and the coup to replace the erstwhile fascist regime with a new liberal-faced government serving much the same interests, perhaps more efficiently. That such were the General's intentions was clear from the first coup attempt against the new government in September 1974 which led to his removal from office. The latest events mark yet another attempt by the General and his supporters.

Such attempts will not come to a stop with Spinola's exit from the country. Given the fact that the AFM is composed of politically very disparate elements, it will not be difficult for the deposed General's backers to find others to continue the work. The existence of powerful conservative elements within the armed forces is testified to by the elections early this month which returned a large number of Spinolists, undermining the Left within the AFM. In fact, the Leftist Prime Minister, Brigadier Vasco Goncalves, is believed to have himself just managed to scrape through in the army and air force council election last week.

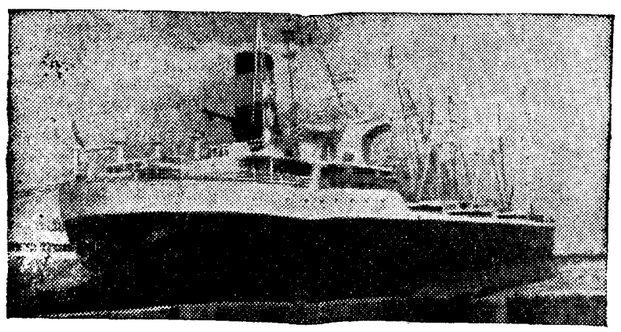
The AFM has reacted to the abortive coup by arresting a number of pro-Spinola elements within the army and some businessmen and bankers. Popular rumblings against the continuation of diplomatic relations with the US have grown louder. Mass support for other radical demands might also get strengthened. Inevitably, one outcome of the coup bid will be a further radicalisation of the present liberalisation movement in Portugal.

None of the political parties, however, appears to have an appetite for such radicalisation. All the parties have been content to play safe and no party has come out with a definite programme. The communists have managed to get just so far as to demand that the basic economic needs of the working class be met but have scrupulously avoided saying anything which might smack of any intention to alter the country's basic economic and social structure. As for the socialists, their immediate concern seems to be to stave off the possibility of a communist-dominated coalition.

In the face of such politics of compromise on the part of the political parties and given its own internal differences, the AFM has taken on a balancing role. Though it heads the present caretaker coalition and recently assumed powers to supercede the coalition's legislative authority, it has acted with great circumspection in political decision-making. It has concentrated on the restoration of liberal political and economic institutions and on completing the elections as promised by it.

Despite this moderation, the AFM has acted as a powerful political catalyst, not only in Portugal but in all of that part of Europe. Apart from the impact of its radical anti-colonial policies in Africa, it has also made Portugal the focus of big power politics. The Soviet Union is understandably keen to gain a toehold in this strategic area, through the Portuguese Communist Party which is close to it. On the other hand, the United States, which already enjoys a physical presence in the area, at its base in Azores, has a number of options open to it, both within AFM and among the political parties.

Interestingly, both the Soviet Union and the United States may have a strong interest in keeping the lid on the political confrontation which is fast developing between the Leftist and the conservative elements.



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Arranging for Better Profits

Hansavivek

KHANDELWAL FERRO ALLOYS has achieved a 44 per cent increase in gross profit, following a 30 per cent rise in net sales during 1974 — even though production at the ferro manganese unit was restricted on account of constraints on power consumption. The directors say that there have been 'phenomenal increases' in costs of raw materials and of electricity and that representations are being made to the Steel Authority of India for a suitable revision of the price of supplies made to the public-sector steel plants. It is also disclosed that the Government of Maharashtra, in response to the company's representations for a special electricity tariff in view of its highly power-intensive industry, has reached certain decisions regarding the relief. Certain aspects of the matter are, however, still receiving further consideration and the directors hope that the government will, before long, issue the necessary directives for implementation of the decisions already reached.

The steel tube mill unit of the company, it is stated, has not been able to operate to its rated capacity from inception, owing to lack of adequate raw material, *viz*, steel strip/skelp. The indigenous supply of this raw material is insignificant compared to the supplies of steel strip imported and then supplied by HSL. It is contended that the economics of operations have been "very adversely affected" by the heavy increase in cost of imported steel strip, Zinc has also been not available in sufficient quantities and there has been a steep increase in price. Further, demand for steel tubes in the home market has been very low, and there is severe competition in the export markets. The ruling international prices are said to be lower than the floor prices fixed by government. The directors plead for a review of the export policy, and grant of relief and assistance to the industry to enable it to sustain its competitive position in the international market.

BORAX MORARJI complains that its borax plant had to be shut down for 70 days and the boric acid plant for 50 days, last year, owing to inadequate import licences issued by government and delays by STC in importing the raw materials. It is stated that boric acid plant continues to be closed, even during the current year; it is not expected to resume production until early April. The company's accounts, however, show that production of boric acid was higher at 2,232 tonnes, against the previous year's 1,839 tonnes, while that of borax was only slightly lower at 12,631 tonnes, against 12,902 tonnes. Total net sales were about a fifth higher than last year's and even gross profit was higher, since the company increased its prices "suitably" following rise in the cost of raw materials. Exports of borax were at

The Week's Companies

(Rs in Lakhs)

	Khandelwal Ferro		Borax Morarji		Kirloskar Cummins		Paper Products	
	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 30-9-74	Last Year 30-9-73	Latest Year 31-7-74	Last Year 31-7-73
Paid-up capital	225	175	40	40	210	150	85	85
Reserves	206	220	73	45	286	242	45	27
Borrowings	393	271	—	24	257	74	275	279
of which Term borrowings	74	75	—	—	36	33	77	78
Gross fixed assets	438	426	72	64	635	460	361	257
Net fixed assets	213	231	33	29	372	260	211	127
Investments	1	1	—	—	15	15	25	76
Current liabilities	318	227	18	26	600	434	95	87
Current assets	929	663	97	104	967	626	263	272
Stocks	505	373	39	89	624	453	167	169
Book debts	315	187	58	15	317	129	92	62
Net sales	1777	1369	320	267	1738	1263	450	404
Other income	59	89	3	6	33	15	3	4
Raw material costs	1189	945	201	156	933	674	290	289
Wages	77	67	25	21	185	146	65	69
Interest	52	42	1	2	25	13	25	22
Gross profit (+)/loss(—)	158	110	37	34	352	254	40	3
Depreciation provision	29	34	3	4	63	41	20	14
Tax provision	76	49	22	19	195	153	—	—
Net profit (+)/loss(—)	53	27	12	11	94	60	20	—11
Development rebate provision	—	1	—	1	23	11	—	14
Transfer to reserves	36	6	8	4	46	27	—	—
Dividend								
Amount	P 5 E 12	5 15	E 4	6	E 25	22	P 1 E 5	1 —
Rate (per cent)	P 9.5 E 7	9.5 12	E9.70	16	E 12	15	P9.50 E7.50	9.50 —
Cover (times)	4.00	1.40	3.00	1.66	2.84	2.22	4.00	—
Ratios **(per cent)**								
Gross profit/sales	8.89	8.04	11.56	12.92	20.25	20.11	8.88	0.74
Net profit/capital employed	6.43	4.05	10.61	10.09	12.48	12.87	4.94	—
Inventories/sales	28.42	27.25	12.19	33.33	35.90	35.86	37.11	41.83
Wages/sales	4.33	4.90	7.81	7.86	10.64	11.56	14.44	17.68

1,096 tonnes against 1,232 tonnes and of boric acid 249 tonnes against 516 tonnes, but export sales brought in more at Rs 26 lakhs (Rs 18 lakhs). Even so, this was only a small part of the expenditure incurred by the company in foreign currency. Its consumption of raw materials, components, spares, and packing materials, alone, amounted to Rs 212 lakhs, while another Rs 2 lakhs were remitted by way of dividend. The auditors were paid, apart from their usual fee of Rs 12,500, Rs 9,000 for tax representation, Rs 4,425 for miscellaneous reports, and Rs 510 by way of reimbursement of expenses. The ratio of inventories to sales was brought down drastically. Trial runs at the anhydrous borax plant were conducted last year, but regular production could not be started owing to initial teething troubles. These have now been overcome, and commercial production is expected to start soon. In January last, a portion of the shell-roof of the factory building at Ambernath near Bombay gave way, causing damage to the building and plant and machinery and injuring 13 workers, four of them seriously.

KIRLOSKAR CUMMINS is seeking increase of licensed capacity from 2,520 numbers engines to 6,400 numbers per annum, and also widening of range of engines from 60-800 hp to 60-1600 hp. This expansion is proposed to be achieved in the course of the next 5 years. The company will have to increase its share capital to meet the increased capital requirement of expansion. As a first step, the authorised capital is being increased from Rs 3 crores to Rs 5 crores. The company has turned out good results, with higher turnover and earnings and is paying the maximum permissible rate of 12 per cent by way of dividend. The inflow of orders continues, but the directors feel that production of ancillary industries may be curtailed owing to credit squeeze and power-cut and this in turn may affect the company's output. The company has been able to step up exports from Rs 28 lakhs to Rs 88 lakhs, but the value of imported raw materials, spare parts, and components consumed by it during the year amounted to Rs 192 lakhs, while another Rs 39 lakhs were spent in foreign currencies on royalty, travelling, commission, etc. It is proposed to remunerate the Indian directors, other than the managing and whole-time directors, by way of commission up to one per cent of the net profits of the company. Also, it is proposed to remunerate the chairman, S L Kirloskar, by giving him guarantee commission of one per cent per annum of the amount guaranteed by him either singly or jointly with any other director or directors, but not exceeding one per cent of the net profits of the company, for five years commencing from October last.

PAPER PRODUCTS is looking ahead to a much better result for the current year as, with the end of the strike that continued for about four and a half months at its packing plant at Thana during January to June last, the management has won the goodwill and co-operation of workmen. Moreover, benefits will now start accruing on the capital investment made on the expansion programmes. The Nagpur project of the company was completed in August last at a capital expenditure of Rs 55 lakhs. A major portion of the expansion programme at the paper mill at Roha has been almost completed, and the total capital cost on the project will be Rs 75 lakhs. The new packaging factory at Kalyani, in West Bengal, has been nearly completed and the total investment would be in the vicinity of Rs 12 lakhs. Even during the year to July last, the decline in sales in the packaging division was offset by higher sales of the Roha paper unit. The company's total net sales increased from Rs 404 lakhs to Rs 450 lakhs and, with margins widened, gross profit leapt from a mere Rs 3 lakhs to Rs 40 lakhs. Both the ratios of inventories and wages to sales were lowered compared to the previous year. Equity dividend, which was skipped last year, is being resumed with a payment at 7.5 per cent. Among the subsidiaries, Premier Paper and Printpak Machinery showed satisfactory progress and better results. PPL Plastics, however, showed a small loss owing to initial teething troubles.

Sometimes when we hear these reports about torture, we become frightened — as if the whole thing was unthinkable, as if we were the victims of a collective hallucination.

But in actual fact, it is not the proof that is lacking, but the courage to believe the reports.

During the past thirteen years **Amnesty International** has been in the front line of the fight against torture and political imprisonment around the world — an independent voluntary agency supported entirely by the active work and financing of its members.

Research and Publications

Work is based on detailed study of specific cases of torture, religious and racial persecutions, detention without trial and political imprisonment. It is this exhaustive research that has given Amnesty International a reputation for unimpeachable impartiality and accuracy. Reports on the basis of fact-finding missions are regularly published, the latest being an 80-page document on Chile.

Action

Amnesty members (there are 38,000 in 57 countries) work for the release of **prisoners of conscience,** send relief to their families, lobby their own governments to improve prison conditions, agitate to halt torture and carry out human rights education programmes in their local communities. The organisation sends formal missions and observers to many countries to represent the pressure of world opinion in defence of human rights.

Prisoner Cases

Among those adopted as **prisoners of conscience** by Amnesty — and released—have been : Madame Ngo Ba Thanh, women's leader of South Vietnam; Dr Telo Mascarenhas, the Goanese freedom fighter; Kim Chi-Ha, South Korea's national poet; Sheikh Abdullah; Alexander Esenin-Volpin, dissident Soviet Mathematician; Walter Collins, organiser of black Americans against the Vietnam War. Students, peasants, factory workers, women and children—the forgotten and unknown victims—are perhaps those who benefit most from Amnesty's interventions.

It will take many more voices to break the conspiracy of silence surrounding the prisoners who remain in darkness. Add yours while there is still time.

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CAPITAL VIEW

A Congress Split or Slow Erosion?

Romesh Thapar

THERE's no mistaking it. A political crisis of the first magnitude is building. The clumsy handling of the Dharia dissent, and the rather strange CPI-ish ideological overtones given to the event by the overtalkative Congress President Borooah, have sparked a rumbling in the ruling party's parliamentary echelons which must reflect the mood of Congressmen throughout the country. And JP's appeal to Jagjivan Ram and Y B Chavan has filled the already polluted atmosphere with more suspicions.

Indira Gandhi is no novice at political in-fighting. In fact, she's best when planning the downfall of her tormentors. But, on this occasion, there is no "cause", no "progressive perspective", to clothe her moves. The "fascist threat" makes little sense to the Indian population, and the Hitler bogey is certainly not forbidding. Borooah is bamboozling himself and the Prime Minister if he imagines that his borrowed thesis on fascism has the country agog.

One does not know what to make of Dharia's tactics, if they may be so-called, or the related moves of Chandrasekhar and Krishan Kant to advertise their affection and regard for JP, dubbed fascist and even a Hitler. They represent the socialist stream within the Congress party, a stream very different from that which has its source in the CPI of old. The two streams have never mixed. Memories of old collusions and betrayals are bitter, and they cannot be rubbed out. The pressure will be on from Borooah's end to isolate them and to expel them, despite hesitations from those who know the consequences of such an action.

Chandrasekhar, Dharia and Krishan Kant also appear to be provoking the Prime Minister to take Borooah's bamboozling to its logical conclusion and to throw them out of the party. If this assumption is correct, they obviously calculate on a split which would embarrass the government of Indira Gandhi at the Centre. While it would be correct to say that a majority of the ruling parliamentary party wants a dialogue with JP, or at least solid handling of the issues articulated by him, it is doubtful whether convictions have sharpened to the point of cracking the Congress party. Has the socialist group over-estimated its strength?

A slow erosion is possible if Indira Gandhi permits the present demoralisation to prevail and continues to be reluctant to undertake urgently-needed electoral reforms in a reorganised federal polity. Bits and pieces will break away from the Congress party, swelling the ranks of the supporters of the amorphous unity candidates whom Jayaprakash Narayan is fathering. Political paralysis is the biggest threat to the ruling party at this juncture when various inter-related critical problems are pressing for fundamental solution.

The crystallisation of this new split-or-erosion situation is sparking a number of other mini eruptions which could start building major dimensions in the coming months. The Dharia episode, and the background materials provided by him, have got people talking about the lack of a healthy system of decision-making in the Council of Ministers, the extent of unauthorised power and influence being exercised by persons around the Prime Minister, the day-to-day interference in ministerial functioning by the PM's secretariat, the meaningless ritual to which Cabinet functioning has been reduced, and the fear that now exists about independent, non-manipulatable persons enjoying genuine popular support. These are specialised discussions for the moment but they could become part of public controversy through the medium of very damaging reportage and scandals rooted in defective functioning and *durbari* servility.

A large and dominant section of uncommitted opinion has never found itself in so odd a position. While JP's increasing reliance on the Jan Sangh and the RSS — highlighted by the naive issuing of chits of good behaviour to them — is startling and deeply offensive, the fact remains that the style and practice of the ruling party also has little to recommend itself. This body of opinion can swing the situation. Maybe, for that reason, the CPI is maintaining a very low posture. The public reaction to their Vijayawada performance had many lessons, and they've been learned rapidly.

Within the centrist mass of the ruling party, from whom Indira Gandhi draws her solid political sustenance, the feeling is beginning to be expressed that Congress President Borooah is a political adventurer playing with the CPI left. This impression, now strongly reinforced by the unhappy way in which he has tackled Bihar, the JP movement and the Dharia affair, is going to become general if the Congress headquarters keeps speaking in phraseology hardly distinguished from communist polemics. And then the isolation of the leadership from the traditional Congress base will proceed apace.

Could it be that another vital battle for the Congress machine has already been joined. A developing split would indicate that. Slower erosion would suggest a lack of direction. Everyone with a modicum of political insight is watching.

NEW DELHI

All Eggs in the Food Basket

B M

THE government seems to be pinning all its hopes on the expected bumper rabi crop. But will the rabi harvest, even if it is as bountiful as the government expects it to be, mark the turning point for the economy after three years of soaring prices and stagnation in investment and production? The Planning Commission and the Finance Ministry are claiming that, even though it is a pre-election year, the Budget for 1975-76 makes a determined effort to raise substantial additional resources which has made possible a sizeable increase in the annual plan outlay for the year. It is now for food management to be firmly taken in hand. The conference of the Chief Ministers on the price and procurement policies for rabi crops last week was, therefore, regarded as being of crucial importance.

Jagjivan Ram certainly lived up to his reputation as a seasoned and shrewd politician and piloted the conference with skill. At the conference there was the expected division between the surplus states and the deficit ones on the question of procurement prices. Chief Ministers of the surplus states argued for raising the procurement prices of wheat — to as much as Rs 125 per quintal from the level of Rs 105 in the last season. The deficit states favoured maintaining them at the existing levels. Jagjivan Ram, however, did not let the conference go on as a debate along these set lines.

After a brief plenary session, in which only Jagjivan Ram and the Deputy Chairman of the Planning Commission, P N Haksar, spoke, the conference was divided into four groups which held separate discussions. The different viewpoints were aired at these group meetings. The conference then dispersed, leaving the final decisions to the Union Cabinet on the basis of the recommendations of the Agricultural Prices Commission and the comments of the Chief Ministers on these recommendations. The initiative was thus left almost entirely in the hands of the Union Agriculture Ministry.

This procedure had its disadvantages also. For one thing, the state Chief Ministers have gone back without accepting any commitments on any of the key issues before the conference, such as the targets of procurement and the mode of procurement. The indications are that the uncertainties will remain and many loose ends may be left even after the Union Cabinet has taken decisions on these issues.

The APC's recommendation that the procurement price should be retained at last year's level is likely to be broadly supported by the Central government, though there might be a marginal increase, say, of about Rs 5 per quintal. Even this increase may not be considered necessary if alternative sops — in the form of subsidised inputs or 'bonus' payments for procurement — for the surplus states and the rich farmers can be thought of.

The Punjab government, which is to be responsible for procurement of 3 million tonnes out of the total target of 5.5 million tonnes proposed for wheat by the APC, has put forward an alternative scheme should the Centre not agree to a straightforward increase in procurement prices. What it has suggested is a sort of dual pricing system. It has offered to procure wheat from farmers at Rs 115 per quintal or Rs 10 more than the price recommended by the APC. However, half the wheat so procured will be handed over to the Central pool at Rs 105 per quintal. The other half will be left with the state government for direct supplies to the deficit states at negotiated prices. The loss incurred on concessional supplies to the Central pool will be recovered out of these sales. All the deals with the deficit states will be on a government-to-government basis.

The APC, however, believes that it will be possible to achieve the procurement target of 5.5 million tonnes even at the procurement price of Rs 105 per quintal, provided the surplus states are cordoned off and the marketable surplus from these states is not allowed to be smuggled out to the deficit states. If this condition is fulfilled, the APC does not consider it necessary to revert to the nationalisation of wholesale trade in wheat. The bigger farmers, it is conceded, might try to hold back their production from the 'mandies' at the start of the marketing season in the expectation that prices may go up later in the season and that the government may succumb to pressure to raise procurement prices and relax restrictions on inter-state movements. Such a situation may test the government's will-power, but it need not cause any panic. Adequate imports of wheat have already been arranged to take care of this eventuality. If the imported grain is judiciously deployed and public distribution in the high demand areas of the deficit states is taken care of, the APC is confident that the rich farmer-trader combination can be worsted in a year of bumper crop without resort to an 'extreme' measure like nationalisation of wholesale trade.

The APC's neat scheme may not, however, work in practice. For there is no assurance that the surplus states will rigorously enforce the ban on inter-state movement of foodgrains on private account. Punjab may not be able to permit large-scale leakages without the Centre coming to know of it, but Haryana and Western UP will be able to.

The Union Cabinet, when it takes decisions on these matters next week, is likely to settle for a compromise. It will uphold the APC's recommendations on the procurement price and the target of procurement, perhaps with some marginal adjustments. But it will not lay down any all-India policy, such as proposed by the APC, on the mode of procurement and will leave the states free to adopt whatever methods they think best with the stipulation that the single state wheat zones will continue and the inter-state movement of wheat will be only on 'government-to-government account. A large measure of the responsibility for the success of the policy will thus be shifted to the state governments.

There is, of course, a reasonable chance that the policy may work in the conditions of a bumper crop. This is the second time — the first being that of the fixation of kharif procurement prices — that the government has resisted pressure to raise procurement prices. If, together with this, there is adequate procurement and supplies to the public distribution system can be kept up at reasonable levels, the situation on the food front may ease somewhat. The government appears confident that this will indeed come to pass. But even if it is proved right, does the government have an economic strategy worked out to make the most of this temporary let-up on the food front to revive planned economic growth?

MAHARASHTRA

For the Rural Rich

Y B CHAVAN has been fond of saying that the Maharashtra Congress represents the interests of the "middle and small peasantry" and that he, as the leader of the party, is not at all ashamed of admitting that the party will always strive hard to safeguard the interests of this section of the peasantry. In fact, however, the section of peasantry whose interests the Maharashtra Congress has consistently represented and promoted is that which consists of landlords and large peasants. The state's Budget for 1975-76, presented to the legislature on March 10, could not have made this clearer.

The Budget has imposed additional taxation of Rs 25 crores, most of it on the urban population. The break-up of the additional taxation is as follows: sales-tax surcharge Rs 7.20 crores; surcharge on the education cess on urban immovable non-residential property Rs 1.30 crores; tax on professions, callings, trades and employment and tax on salaries Rs 10.42 crores; motor vehicle tax Rs 75 lakhs; cess on irrigated land Rs 3 crores; and land revenue surcharge Rs 2.34 crores. Thus the total draft on the agricultural sector is a mere Rs 5.30 crores.

Same Pattern for 1975-76

The picture is the same if we consider the total tax revenues of the state government. According to the revised estimates, the tax revenue in 1974-75 is expected to be Rs 537.50 crores. Of this, the sales-tax accounts for Rs 307.45 crores; vehicle tax for Rs 20.83 crores; stamp and registration fees for Rs 22.13 crores; state excise for Rs 26.72 crores; and the tax on goods and passengers for Rs 24 crores. The contribution of land revenue, by comparison, is just Rs 15.47 crores and that of the income-tax on agricultural incomes a mere Rs 10 lakhs. The Budget estimates for 1975-76 show the same pattern. Out of the estimated total tax revenue of Rs 573.89 crores, sales-tax accounts for Rs 329.27 crores; state excise for Rs 26.59 crores; stamp and registration fees for Rs 23.51 crores; and the vehicle tax for Rs 20.98 crores. The contribution of land revenue is estimated at Rs 15.73 crores, or more or less the same as in 1974-75. And the tax on agricultural incomes is once again estimated to fetch the unvarying figure of Rs 10 lakhs!

The tax on agricultural incomes is indeed something of a museum-piece. The exemption limit for the tax is an income of Rs 36,000 per annum or Rs Rs 3,000 per month. Farmers in the US or Canada, owning a few thousand acres, will no doubt be glad to get such liberal tax treatment, but the Maharashtra government apparently believes that incomes below this level are too low to be touched! No wonder that the estimate of revenue from the tax remains pegged at Rs 10 lakhs. But even that is not the end of the story. According to the government, the arrears from the agricultural income tax are now around Rs 5 crores. Considering the figure of estimated annual yield from the tax, it is clear that virtually not a paisa has been paid under the tax since its introduction in 1962 or for that matter under the Hyderabad Agricultural Income-Tax Act, 1950.

Whatever may be the reason for the dismal yields from land revenue and the agricultural income-tax in the state, it is not that there are no large prosperous farmers in the Maharashtra countryside. The official publication "Maharashtra: An Economic Review, 1974-75" presents some data on the distribution of agricultural holdings in the state. Holdings with an operated area upto two hectares is defined by the state government as 'small'; those between two hectares and 10 hectares are 'medium' and those above 10 hectares are 'large'. The total number of operational holdings in the state is put at 49.5 lakhs with a total operated area of 212 lakh hectares. The distribution of holdings according to size shows that 43 per cent of the holdings are small and these account for just 9 per cent of the total area; 47 per cent of the holdings are medium and these account for 51 per cent of the total area; this leaves the 10 per cent large holdings with fully 40 per cent of the total area.

According to the eleventh report of the Estimates Committee of the Maharashtra legislature, 1973-74, the state government had incurred an expenditure of Rs 700 crores on various agricultural schemes between 1960-61 and 1970-71. In addition, the expenditure by farmers is land development programmes, financed through loans from land development banks and other institutions, is placed at Rs 500 crores during the period. Even if it is conservatively, and most unrealistically, assumed that the benefits of this enormous investment have accrued to the large farmers at least in proportion to the land owned by them, it is evident that very substantial sums of public funds have gone to bolster the prosperity of that state's large farmers. The official statistics of the growth in aggregate production of various agricultural commodities in the state do not at all bring out the increase in the well-being of this particular class of farmers, though the boom in sugarcane, grapes and some other commercial and orchard crops does give some indication of it. And even where production may not have gone up, the incomes of the rich farmers have multiplied on account of the rise in prices. To complete the picture of the state government's contribution to the prosperity of the state's large farmers account has to be taken also of the large sums spent annually by the government in the form of irrigation, power and other subsidies — not to mention the large amounts of government and co-operative loans to these farmers which have been for all practical purposes written off, though for form's sake they may still be shown as 'overdue'.

Employment Guarantee Tax

This, then, is the large farmer whom the Maharashtra government simply will not touch, even though it has no compunctions about levying a 'tax' on salary incomes of Rs 400 per month. The state Finance Minister has justified the proposed new taxes on the urban population on the plea that though "somewhat burdensome", these are necessary to finance the state's much-touted employment guarantee scheme for the rural areas. The government had earlier got a resolution passed unanimously in the state legislature giving it blanket authority to impose a special employment guarantee tax on "irrigated farmers, organised industry, gainful professions, wealth and property holding, unearned incomes, secure employment, etc". As a result, the government has virtually foreclosed criticism of the new levies.

The state government spent Rs 15 crores on the employment guarantee scheme in 1974-75; this figure is proposed to be raised to Rs 50 crores in 1975-76. It is not at all difficult to understand the government's fascination with this scheme, especially in a pre-election year. The expenditure of Rs 50 crores will not only enhance the popularity of the Congress party among the rural masses, but it will also further benefit the larger farmers who, after all, will be the ones to take advantage of the irrigation, bunding and other works taken up under the scheme.

BIHAR

Material Base of Santhal Movement

REPORTS of a Santhal separatist movement in Bihar appear now and then and it is said that while the demand for a separate Jharkhand of the Santhals is an old one, what distinguishes the present movement is the violence that underpins it. The violence is said to have been brought into the movement by the new leadership, prominent among whom is Shibu Soren.

Against the background of the several small, isolated groups of activists in the countryside, who are trying to move populations in rural pockets into action against the established inequitous order of things, the Santhal movement stands out for two reasons. Unlike the other groups which are led by young middle-class men who have entered the fray out of certain convictions, the Santhal movement is a movement of the Santhals under Santhal leadership. Secondly, apart from its various political and educational activities, it has something of a programme for agricultural improvement.

How does the movement function? What are its aims and what do its leaders do to achieve them? Shibu Soren is one of the leaders of the Jharkhand Mukti Andolan which, together with the Jharkhand Party, wants a tribal state separate from Bihar, within India. Another colleague of Soren, Vinod Bihari Mahato, himself not a Santhal but a Mahato (a farmer community in south Bihar), is in jail under MISA. Shibu himself is 32 years old. He is energetic, but scornful of theorists who he thinks rarely relate to local conditions and problems. Shibu is not even a matriculate. He had to give up school because, according to him, the Mahajans murdered his father, so that he then had to work and look after his younger brothers. He got married, and managed to get a contract for felling trees. Some five years ago, he joined the movement. Shibu has no regard for political parties: "I don't want to have anything to do with politics", was a repeated remark by him in the course of our conversation. "All we want is to live like human beings".

However, the key aspect of the programme espoused by this Utopian approach is still food. "We must eat all the year round. So far, the Santhal (or Majhi) has worked for twelve months, and starved for twelve months, and the moneylender has reaped the harvest. This must change." Thus the movement is by no means postponing its economic programme till its political demand for Jharkhand might be granted. Thus the political education of the Santhals is actually being sought also through a production programme. "Our people are illiterate and ignorant. They cannot see beyond their noses. All these leaders from the cities talk to them about 'economic progress', when they do not know the concept through their own experience. They have never learnt to plan, not even the next crop. All this has to be changed, and we are doing it right now by undertaking several programmes."

Thus, in Tundi Tehsil, in the tribal belts of Giridih-Hazaribagh, the Santhal Parganas, the tribesmen have taken over land which was in the possession of moneylenders. The moneylenders (called Mahajans) may keep their land if they cultivate it themselves (I saw one graduate ex-moneylender ploughing his field) and put their own hand to the plough. The land reclaimed from moneylenders has been distributed among the landless Santhals. I was told that in Tundi, at least, no one is a landless labourer. This land is cultivated by what Shibu calls *samuhikheti*. What does this mean in practice? All the implements, bullocks and manpower in the village is deployed *en masse*, when the agricultural season sets in. If a particular field needs three oxen teams, and the owner has only one, his neighbours lend a hand and when his field is ploughed, he takes his team to help out the others, and the work of preparing the land which may otherwise take a month, is completed in a week. All agricultural operations are done by this method. While the ownership is still individual, labour is being pooled into a team. Last year, for the first time, paddy was grown co-operatively. Paddy used to be the sole crop. This winter, I saw wheat in several fields, forming a long belt; in fact, wherever water was available for irrigation the Santhals have planted wheat, a crop which has never been grown in this area before. Indeed, a winter crop itself was unheard of. For the first time people thus had grain in their houses long after the harvest had been gathered in. Soren said that the Santhal was just learning in some areas to put by seed for the next season. They would eat up their meagre crop and the following year borrow seed from the moneylenders at usurious rates.

So the organisation had started what he calls a grain 'gola'. The grain gola comprises contributions on five accounts. As soon as the harvest is in, every farmer is required to deposit in this store-house twice the quantity of seed he uses. Part of this is to pay for the labour he has taken from his neighbours, just as they must pay for his. The leadership is confident that this will enable the Santhal to escape from the clutches of moneylenders. Moreover, in the areas controlled by the Jharkhand separatists — certainly in Tundi — the farmers are strictly forbidden to sell their grain to the city merchants. This helps to ensure that there is food in every house. The seed deposit is one of the five 'accounts' which every household (i e, every unit which cooks for itself) must maintain in the grain house. Another account is the contribution to the night schools. Every parent with children between the ages of 4 and 15 years must contribute 10 kgs of paddy per year per child to the grain gola. Every village will have its teacher who is to be paid in paddy. A teacher can be a boy with high school education. He need teach the children the three R's. These are night schools and are called 'akil akhada'. ('Akil' is brain and 'Akhada' is the wrestler's ring where the trainee wrestles.) During the day, the master may go about his own business. The leadership is emphatic about the importance of education: without it nothing is possible; even prohibition, imposed and enforced by the leadership in these villages today, will have a lasting effect only if people are educated and understand the need for it. The other two accounts are: political activities and visitors. To support the Jharkhand Mukti Andolan each household must contribute 10 kg of paddy and Rs 3 per year. As for visitors, an annual contribution of one rupee and 1 kg of paddy per year per household is envisaged.

I was taken to see one grain gola, where rice was stored in containers made of twisted ropes from paddy stems. The accounts were kept in ledgers. In another village the man in charge of the storehouse had gone to a meeting, and at a third Shibu had to remonstrate with the local workers because they had failed to establish the grain gola. I also saw an Akil Akhada. The schoolmaster was a young boy, who had studied upto the pre-matriculation class and then given up

because of financial troubles. Shibu called him 'Master Saheb'.

I also attended the camp court or 'baishi'. It is really an assembly of about 20 villagers. Among other things, the assembly hears quarrels and disputes. The Majhis, I was given to understand, do not go to regular courts any longer, preferring the cheaper and speedier justice meted out by the 'baishi'. From independent sources, I heard that the courts in Giridih were practically deserted. The 'baishi' I attended was devoted to explaining the necessity for grain golas, and in telling the villagers to come to a meeting the next day.

When I went to see Shibu he was preparing to set off the next day for a public meeting; his companions were just as busy, organising things for a mammoth meeting — expecting a crowd of 10 lakhs.

Where does violence fit into their scheme, I persevered. Shibu and others tell you that they do not like violence, but if it is used against them, they will and do retaliate. Bows and arrows, and axes, are their traditional weapons, carried quite matter-of-factly. Recently, two Santhals were attacked by the Mahajans (moneylenders), their motorcycle was burnt and the men were left for dead. They were alive. The Santhal drums began to beat, a huge crowd gathered on the spot and the Santhals retaliated with fury.

Shibu stresses that Santhals have confiscated the land, animals and grain belonging to the Mahajans, and the Mahajans driven out. But it was not because they were 'outsiders' or non-tribals. There are the rare Marwaris among the Majhis: I found several non-Majhis including a Bhumihar. There was one Marwari who, the Majhis had complained, had Majhi land in his possession. On investigation, the leadership had found this to be true but had also found that the Marwari tilled the land himself. Said Shibu Soren: "This business of taking land from one man and giving it to another because of their caste differences is sheer folly. What is the other man to do? I told the Majhis that no one was to touch the Marwari's land. What a man tills himself, he has a right to keep. It is the Mahajans (moneylenders) we will not tolerate."

Under a recent legislation, Adivasi lands bought by non-Adivasis, without the Collector's consent, are being restored to Adivasis. The Santhals have taken the law one step further. They are reclaiming lands owned by Mahajans, whether or not the transfers had been legal, and they are not going to the law courts either.

For the moment, at any rate, the Bihar government is keeping quiet. It is reportedly taking an 'indulgent view' of the activities of the Santhals. It is not yet clear when the more fundamental ideas unleashed or planted by the Santhal movement of today will spark repression by the ruling classes.

BENGAL

Who Can Question the State...

Arun Chowdhury

IF one travels on any of the local trains between the suburbs and villages around Calcutta and the metropolis itself, one in struck by the numbers of middle-aged women, mainly widows, who regularly travel on this route, accompanied by 10-15 year-old children. All of them are emaciated and ragged. Their faces are tense and anxious, as they clutch the small 2-3 kg bundles of rice which they carry to sell in the markets of Calcutta. Their pre-occupation is with safeguarding these bundles: each kilo represents a net gain of 50 paise or even one rupee. They hide the rice not very successfully in the folds of their clothing, or they entreat the more well-to-do passengers to put the bundles inside their suitcases so as to conceal them from the home guards and the police who inevitably swoop down on them.

I was travelling on one of these over-crowded trains. The police and home guards were on the train, pushing and beating their way through the compartments and raising a chorus of anguished cries as they snatched the rice from the desperate grasp of the 'smugglers'. Even old women and young girls were not spared rough and rude search of their clothing.

In the midst of the general noise and agitation, a ticket collector was calmly moving through the compartment, collecting—right under the noses of the guardians of the law—not tickets but a 25 paise coin each from the passengers. When one young lad produced a ticket, the TC roundly abused him, expostulating: "Have you not got more urgent things to spend your money on? Since when have you wretched people become rich enough to start buying tickets?". Then, he turned to the others and appealed: "Look at this ungrateful lout. I try my best to help these people, but do you think they have sense enough to appreciate it? Anyway, let him die if he is stupid enough to squander his money in this fashion." Thus philosophically swallowing his bitterness, the TC moved on to the next passenger. The young boy sat in timid silence, looking slightly confused. A young 'smuggler' sitting beside him explained that the TC was really quite a good-natured fellow and on such familiar terms with the regular passengers that he would occasionally extend them credit if they could not produce the 25 paise.

Presently the train rumbled to a halt at a small station. The hubbub inside ceased gradually until there was almost pin-drop silence. On the platform stood a cluster of 30 to 35 youths clad in white and carrying flags. In the curious hush, their voices could be heard clearly, shouting. *"Garibi hat raha hai, hate-ga"*, *"Socialism aa raha hai, aaye-ga"*, "Burn the black hands of hoarders, blackmarketeers, and landlords", "We will end smuggling and black-marketing". The procession moved up to the train, and the chanting ceased. The white-clad youths began clambering into the train and snatching whatever remaining bundles of rice they could see.

Right before my compartment window was a widow, middle-aged, accompanied by two small boys — one about five years old and the other a little younger. The children were watching their mother uncomprehendingly as she wept aloud and implored the youths to spare her. "Baba, I am not a black-marketeer. This is food for my children. Baba, give me back my rice. I am a widow, and the rice has been given to me by relatives to keep us all for two or three days. Baba, give me back my rice." Nobody was paying any attention to her. One youth shoved her aside, and she stood bowed and weeping helplessly. All at once she straightened up, and with some bitterness demanded: "Baba do you not have mothers and sisters

at home? Do you not know what hunger is? Do you have no human feelings? How can you snatch food out of the mouths of young children? One of the youths sneered and said: "Cut out this *tamasha* and get out of here." He turned away.

In the distance another local train was approaching the platform on the other side. The youth squad began to re-group to prepare itself for that train. Suddenly a scram arrested them. The widow stood like a fury, eyes burning tearlessly with hatred and desperation. "You snatch the food out of our mouths", she shrieked, "you snatch the rice from the mouths of children under the eyes of their mother... here, then..." and she suddenly leapt onto the track as the train swept into the station.

There was a sudden paralysed hush. It was broken by the older child beginning to wail. Next moment the station was full of the busy noise and commotion of people resuming to do whatever they were doing before the interruption. So another suicide was entered in the register, and one more 'garib' was 'hatoed'.

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-d-ventures

LABOUR

Battle of Minimum Wages

"MANUFACTURERS threatened with the application of the Factory Acts to their enterprises are all agreed in their passionate assertions to the effect that this will necessitate a greater outlay of capital if the business is to be carried on upon the old scale... They can no longer compete, for they have been deprived of the only basis on which competition is possible for them — the unrestricted exploitation of cheap labour power." So wrote Marx in "Capital", referring to small-scale, backward forms of production threatened, among other things, by the first labour laws enacted in mid-nineteenth century England. The statement still holds true for small-scale industries in this country. Cheap labour power is the basis of the viability of these industries. The agitation launched by small-scale engineering units in Maharashtra against the enforcement of minimum wages bears testimony to this.

The engineering industry in Maharashtra accounts for about a quarter of the total production of engineering goods in the country, for a quarter of the total number of engineering units and for a fifth of the total number of workers employed in the engineering industry. The 15,000 engineering units in the state employ about 500,000 workers. Only a fourth of these factories are, however, registered under the Factories Act. Bombay and Poona, which account for about 320,000 of the total engineering workers, also have over four-fifths of the units registered under the Factories Act. In addition, about 12,000 factories, employing over 80,000 workers, are covered by the Shops and Establishments Act. The bulk of these, again, are in Bombay.

Thus very roughly about one lakh workers in the engineering industry in Maharashtra are covered neither by the Factories Act nor by the Shops and Establishments Act. Their wages are generally as low as Rs 3 per day and their working day sometimes as long as 10 to 12 hours. Weekly holidays are often unknown. 'Sweat shops' is an appropriate description of about two-thirds of the engineering factories in the state, employing between a third and two-fifths of the total number of workers in the industry. The majority of the units belonging to this category are in Bombay. Typically, they are located in the so-called industrial estates.

The industrial estates, mainly located in the suburbs of the city, are of two types. The first type consists of a relatively large piece of land divided up into a number of small, independent parcels, on each of which is erected a squat structure. (Some of the Maharashtra Industrial Development Corporation estates are of this type.) These are small- and medium-size factories and generally employ between 10 and 50 workers, sometimes even upto a hundred. The second, much more common, type consists of a two or three-storey structure erected on a small plot of land, with between 10 and 30 rooms on each floor. Each of these rooms, usually between 200 and 700 sq ft in area, houses a factory, or rather, a godown-cum-factory-cum-manager's office-cum-head office of the unit — typically a proprietary or partnership concern and occasionally a private limited company. There is a relative preponderance of such industrial estates in north-eastern Bombay. The estates are usually owned by individual landlords or real estate speculators, although formally they may be owned by co-operatives. The systems of 'pugree' and leave-and-licence are often found in the industrial estates and the mobility of very small factories between industrial estates is fairly high.

These 'factories' usually employ between 5 and 20 or 30 workers. The conditions of work are unhygienic, hazardous and generally appalling — poor lighting and ventilation, overcrowding of machines on the shop-floor, absence of guards and meshes on machines, etc — and often even contravene the provisions of the Factories Act. Wages are very low; those for a skilled worker may not exceed Rs 8 per day. The system of apprenticeship, usually on a stipend that is smaller than the unskilled workers' wage, is widespread. Hours of work are fixed and changed arbitrarily and often exceed eight per day or 48 per week. Piece-rate wage payment is not uncommon and sometimes jobs are allotted to workers on a 'contract basis'. Incentive schemes and production often accompany piece-rate wages. Like wages, annual bonuses and other 'benefits' depend mainly on the whims of the employer, as do loans and advances to workers. In the smallest of these factories, the workers may be distant and impoverished relatives of the owner. Even otherwise, there are close personal ties between worker and employer in the very small factories and the latter is readily conceded the right to discipline the worker, abuse him or even manhandle him.

Given these terms of employment, the turnover of workers is relatively high. This is one of the reasons for the instability of the few unions in this sector. The other main reason is the backwardness of the workers and their low bargaining power. The workers are compelled to submit meekly to abuse, victimisation and intimidation by the employer. Fear of the tyrannical employer prevents the formation of unions. Compared to the figure of over 60 per cent for the large-scale engineering industry, the proportion of unionised workers to the total number of workers in the small-scale sector is less than 10 per cent. And even such unions as exist are very weak and their ability to protect the workers' already low wages against inflation or to afford him security of employment is very limited. A very large number of employers would gladly spend large sums of money to smash workers' unions rather than concede a minor demand and thereby 'co-opt' a trade union bureaucrat.

Over the past two or three years some attempts have been made to unionise the workers on the basis of a single union for an entire industrial estate. Despite the favourable conditions created by a general surge of industrial militancy, most of these attempts have failed. Workers in the small-scale sector continue to find themselves impotent to defend their wages and terms and conditions of employment, unable to challenge the employers and deprived of all the benefits of industrial and labour legislation. It is not for nothing that Lenin argued that the destruction of small-scale industry, of the "legion of small, well-meaning blood-suckers", by large-scale industry is historically pro-

gressive: the worker's subordination to large-scale capital, to "a handful of big 'pillars of the fatherland' is progressive... despite all the horrors of the oppression labour... because it awakens the mind of the workers" and makes possible a struggle for the emancipation of the working class which can be successful because it "derives its strength from the very conditions of existence of this large-scale capitalism...".

Already hostile to any suggestion of wage increase, employers in the small-scale sector had become hardened in their attitude as a result of the economic crisis of the last two years, which hit them in a variety of ways. Not surprisingly, therefore, the new regulations issued by the Government of Maharashtra under the Minimum Wages Act for the engineering industry at the end of 1974 provoked a sharp reaction from them. The minimum wages for the engineering industry were raised under the new order. For the Bombay-Thana region, the minimum daily wages of unskilled, semi-skilled, skilled and highly skilled workers were fixed at Rs 8.50, 9.60, 11.00 and 13.80, respectively, corresponding to the consumer price index of 1,150. For every 10 points raise in the index dearness allowance would have to be paid at the rate of 7.5 paise a day. The revision of the dearness allowance would be on a quarterly basis — thus leading to the allowance lagging behind rise in the cost of living — and the rate of neutralisation of increases in cost of living would be well below 100 per cent. Junior clerks would be paid a minimum of Rs 270 per month and watchmen, peons, scavengers, etc, would be treated as unskilled workers.

All this meant a doubling of the wage bill in a large number of small-scale factories and the employers were up in arms against the Maharashtra government's order. A vigorous press campaign was launched and, finally, two 'strikes' were organised by the employers to press their demand for a reduction of the minimum wage rates. At one stage it almost appeared as if the employers' agitation would bear fruit. The government announced that it would "look into the matter again". This was when the unions started their weak counter-campaign and the then Labour Minister finally assured the unions that the new regulations would not be revised. The Minister argued that neither employers nor unions had a right to ask for revision of the new regulations since they were based on the recommendations of the Minimum Wages Committee (D G Kale Committee) — a tripartite body of representatives of unions, employers and the government.

The Minister's assurance, however, meant very little since the small-scale employers were determined to sabotage the new regulations by simply refusing to increase wages. Once again the unions issued press statements and a few of them — e g, the Sarva Shramik Sangh led by the Lal Nishan Party (LNP) — decided to launch an agitation on this issue amongst workers in small-scale industry. The Sarva Shramik Sangh, in collaboration with the Kamani Employees' Union, organised a conference on January 26 to demand the implementation of the Act. The conference was attended by about 2,000 workers and was moderately successful in unionising a small section of workers in some industrial estates and enforcing the new rates in some factories. But there was little follow-up action after January 26: it almost seemed as if the Sarva Shramik Sangh had lost interest once it had expanded its membership somewhat. As for the other major unions led by the Left, they did little more than issue press statements threatening industry-wide action and bandhs. Whether out of reluctance to antagonise their 'allies', the progressive 'national bourgeoisie' of the backward and reactionary small-scale sector, or because of sheer organisational weakness, the Left has remained basically inactive on this issue, incapable of pressurising the government to implement its own laws.

The small engineering bourgeoisie, meanwhile, mounted a fresh offensive. The argument was put forward that in the present conditions of crisis it would be simply impossible to double wages if these firms were to survive. The ancillary units, it was pointed out, had been badly hit by a shortage of orders from the big firms; the credit squeeze and raw materials shortage had made the situation worse; already a sizeable proportion of workers had been laid off. Further, it was pointed out, minimum wages in other industries were substantially lower. (This is true: e g, in plastics the unskilled worker's minimum is less than Rs 4, in potteries less than Rs 5, in bakeries less than Rs 6 and in many of these there is no dearness allowance at all; against this, at the current consumer price index, the minimum wage of an unskilled engineering worker would be well over Rs 10 under the Act). What is, however, holding up the enforcement of the minimum wages is not the soundness or otherwise of the arguments but the organisational paralysis of the Leftist trade unions. The unions have failed to launch an industry-wide agitation on the minimal demand for implementation of the new wage rates. The result is that though the new wage rates became 'effective' from December 1, 1974 they have been implemented in no more than a fifth of the total number of factories yet. The government's inspectors under the Minimum Wages Act are no threat to the employers: they hardly pay any heed to complaints from workers and, in any case, there are so many ways of ensuring that they will take no action.

With the change in the labour portfolio following the reshuffle of the state cabinet last month, it is rumoured that the government's attitude to the employers may soften even further and the new regulations may be reconsidered and the minimum wage rates reduced. Whether the government formally back-tracks or not, the unions are hardly likely to be able to force the employers to pay the minimum wages. The Maharashtra government's regulations about minimum wages for the engineering industry will, therefore, remain a dead letter for the majority of the workers in small-scale engineering units.

Larsen and Toubro

LARSEN and Toubro has decided to offer 'rights' shares on a one-four-basis at a premium of Rs 6, that is, at a price of Rs 16 per share. Of this, Rs 8 (including Rs 3 towards the premium account) will be payable on application in June and the balance of Rs 8 before the end of December next. All these shares will rank for the full dividend for the year ending March 1976. In order to facilitate payment for the 'rights' shares, the directors are considering the declaration of an interim payment for the year ending on March 31, 1975, subject to the sanction of government.

BOMBAY

Violence of the Chawls

Anil Awachat

TWO communal riots have taken place in Jogeshwari, a suburb of Bombay, in the last four months. There was a riot in November 1974, on Diwali day; the second took place on this Republic Day. For quite some time there had been no communal riot in Bombay; so these two riots in quick succession, with the distinct possibility of a third in the near future, must be viewed as a disquieting development.

Jogeshwari is a small suburb on the outskirts of Bombay. Its boundary is marked by the Western Railway on one side and by the Bombay-Ahmedabad highway on the other. The area between the Western Railway track and the highway has a largely middle-class population; this is also where most of the shops are. But as one crosses the highway, one walks into a vast slum with thousands of shanty huts. The slum is divided into several sections, each with its own name, such as Premnagar, Harinagar, Shankarwadi, Meghwadi, Harijannagar, Majaswadi, Bandra Plot, Colaba Plot, etc. The slum-dwellers belong to different religions, but some areas are predominantly Muslim while in other areas Hindus, migrants from Uttar Pradesh and Konkan, are dominant.

Premnagar and Harinagar, situated on a small hillock, are predominantly Muslim. The hillock is surrounded by Meghwadi, Shankarwadi and Majaswadi which are predominantly Hindu area. Both the riots took place in this area. The riots in November were restricted to Premnagar and Meghwadi, whereas the recent riots were more widespread and affected almost all the areas on the east side of the highway.

There is a triangular plot of land between Meghwadi and Premnagar, admeasuring a hundred feet on one side and two hundred feet on the other two sides. The Muslims assemble here to offer prayers once a year, on Id day. This has been going on for nearly five years. A little away from the ground some persons from Meghwadi had put up an idol of Hanuman in the open. Near this plot is a long, single storeyed chawl owned by one Nasirkhan Mistry and next to the chawl is a Muslim school ('madrassa') where children are taught Arabic and to recite the Holy Koran. All these structures are unauthorised since the ground does not belong to the Muslims. The Muslim cemetery is a little further ahead of Meghwadi, so that Muslim funeral processions stop near the Idga ground, offer the last prayers and then proceed to the cemetery.

To oppose this use of the Idga ground by the Muslims, the people of Meghwadi, where the Shiv Sena is very active, shifted the Hanuman idol to the very centre of the ground. This started a quarrel between the two communities and led to the November riots. In the riots the two communities threw brickbats and burning cloth balls soaked in kerosene at each other and cries of 'Har Har Mahadeo' and 'Alla Ho Akbar' could be heard throughout the night. The riots claimed four lives, two Hindus and two Muslims. After the riots the leaders of the two communities set up a committee to establish peace and normalcy in the area. The Muslims agreed to pull down the 'madrassa' and the Hindus promised to remove the Hanuman idol to its former place. In due course, the Muslims began to demolish the school building, but the youths from Meghwadi refused to remove the Hanuman idol. But once again the elders intervened and the idol was removed to its former place.

The police force which had been posted in the area in November was still there on January 14, Muharram day, which passed off peacefully. Since the situation seemed to be normal, it was withdrawn a few days later. Within a week of the withdrawal of the police, the second riot broke out.

The riot, which started on Republic Day, took the Muslims by surprise. There had been flag hoisting ceremonies in the area in the morning. Most of the hutment-dwellers were out enjoying the holiday and the rest were having their afternoon siesta when all at once there was heavy stoning of Premnagar and Harinagar. By the time the Muslims had overcome the initial shock and got organised to defend themselves, the police arrived. But instead of dispersing the stone-throwing Hindu miscreants, they fired on the Muslims, killing a man called Salauddin on the spot. The firing dispersed the Muslim youths. The Hindus thereupon went up the hillock and set the Muslim huts on fire. They had not dared to do this before the police opened fire and compelled the Muslims to run for their lives.

The Principal of the Bandivali High School nearby went to the terrace of the school-building to see what the commotion was about. In a matter of 15 minutes he saw a number of huts on the outskirts of the Muslim settlement set on fire. And a few minutes later the timber warehouses on the western side of the highway belonging to the Muslims were also set fire to.

The Muslims enjoy a near-monopoly of the timber business in Jogeshwari. They also own most of the bakeries. Madina Bakery is situated in the Hindu area. The Hindu rioters pillaged the bakery and set it on fire. The family of the owner lived just behind the bakery. All of them ran away as the rioters approached, except a middle-aged man named Ali Hussain Abdul Gafur who hid himself in the house. When the fire engines arrived, he thought that the police had arrived and so came out. He fell into the hands of a frenzied mob of about 2,000 people who severely beat him up and threw him into a nalla some 30 feet deep. They then started stoning him. Two of the crowd hauled a huge stone to crush him to death. One of the Hindus, a clerk in a bank, tried to dissuade them but he was scoffed at and derided as a 'Gandhi'. The mob then hurled the stone killing Gafur on the spot. When I visited the bakery, I found cattle eating whatever had been left in the shop. Inside the house, I saw half-burnt toys and tiny shoes and socks. There was a copy of Koran, reduced to ashes, and its wooden stand.

I went to see the other houses in the area. Most of the families are extremely poor. In all, about 200 tenements had been completely burnt down. Among these, some 30 belonged to Hindus who had been living in Muslim-owned chawls. Muslim tenements had been picked carefully and looted and burnt down. In Dalwi chawl, a Muslim tenement had been broken into, while his Hindu neighbour's remained unharmed.

Pathan chawl in Harinagar, a big one-storeyed structure, has a number of Bohra tenements. This chawl was heavily stoned by Hindus from Shankarwadi. When the Bohras ran away to save themselves, the mob entered the chawl and plundered transistor radios, sewing machines, etc.

As the mob advanced up the hillock on which Premnagar and Harinagar are situated, the men ran away, leaving

the women and children behind. The women, who had gone down to fetch water, returned just in time to take away the children. Said one of them, "Had we been a little late, the children would have been roasted to death. We ran away with the children. We could not think of saving anything except the children."

In one of the tenements there was an old man, believed to be 124 years old. He was unable to move and was always huddled up in a corner. In the stampede he was completely forgotten. By the time his relatives realised that he had been left behind, the mob had already set fire to the house. When the old man's grandson tried to enter the house, the mob chased him away. Later when they returned to the burnt tenement, the old man had been reduced to a tiny ball of flesh.

Most of the damage in the riots was suffered by Muslims. Not a single Hindu house in the Hindu area had been damaged, though some houses of Hindus in the Muslim areas had been damaged by the Hindu rioters.

Relief operations started the next day. An organisation called the Muslim Jamat started a community kitchen where the destitute families have been eating twice a day. Some Hindu families have also been eating at this kitchen. The Muslim workers have also distributed bedsheets, some clothes and a little money among the victims of the riots, Muslims as well as Hindus. The Shiv Sena has claimed that it had started relief work, but what it had done was at best scanty and limited to about half-a-dozen families.

*

The tension in the area is unabated. A fresh riot may be sparked off at any moment. In the November riots both communities suffered equally. The Muslims had then made strategic use of their being on a hillock. So the Hindus had decided that the Muslims would not be allowed to enjoy this advantage in the next riot and on January 26, they made a sudden attack when the Muslims were completely unprepared.

There are many indications that the January 26 riots were premeditated. The riot broke out on all sides at about the same time and it was over within an hour-and-a-half. Some newspapers reported the next day that the trouble started when the Muslims objected to some boys playing cricket on the Idga ground. But this is apparently not true. Those who were allegedly playing cricket have still not been traced nor those who objected to their playing. And even if the riot had started out of an altercation between the cricket players and the Muslims, it would have spread gradually and would have assumed serious proportions only towards the evening. But in fact the trouble was all over within a couple of hours of its starting at about 1.30 p. m.

*

Jogeshwari is the domain of the chawl-owner. Earlier Jogeshwari had been earmarked for the settlement of criminals expelled from the city. Later, when the slums were cleared from Colaba, Bandra and Worli, the slum-dwellers from these places flocked to Jogeshwari. At about the same time, migrants from UP who had started dairy businesses in Bombay built cattle-sheds for buffaloes in Jogeshwari. As the flow of people into Bombay became a torrent, the housing situation became critical. The cattle-sheds in Jogeshwari were quickly converted into chawls for human beings. A single room in a chawl fetches a 'pugree' of four to five thousand rupees and a rent of Rs 25-30 per month. There was soon a spate of unauthorised construction of chawls. The local bully, who built the chawls, the local corporator and the concerned officials in the municipal corporation formed a racket.

The usual trick is to start the construction on a Saturday and to complete it by Monday so that the Corporation cannot demolish the structure before it is complete or get an injunction from the courts to stop the work. Sometimes the builders of such unauthorised constructions even manage to obtain stay orders against the Corporation in advance before he undertakes the construction work! Once the tenants move into the slums, the political parties take up their cause when the Corporation authorities come to evict them. The landlord just builds the tenement and is not responsible for providing any of the amenities such as drinking water, drainage, etc. The tenants fetch water from Aarey Colony, some distance away. In 1964 the authorities forbade them to take water from the Aarey Colony, which led to a riot between the tenants and landlords. Since the majority of the landlords were migrants from Uttar Pradesh it soon became a clash between Maharashtrians and the migrants. Finally, the Corporation agreed to supply tap water to the unauthorised, illegal settlements.

The slums have no latrines and no drainage system. The chawls are built so close to one another that there are no streets or roads to go from one to another. One wends one's way along the edges of open gutters. Human excreta lies all over the place.

Muslims and Hindus from UP are prominent among the chawl-owners. Hindus are in a majority in Majaswadi, while the Muslim landlords live mainly in Premnagar and Harinagar. Recently, Maharashtrians have built chawls in Meghwadi and Shankarwadi. The residents of Meghwadi took the lead in the January riots. Meghwadi is a Shiv Sena pocket and so many have accused the Shiv Sena of having instigated the riots. However, other parties too actively contributed to the riots. During the election of the Mayor of Bombay, Shiv Sena and Muslim League had unofficially joined hands. And in Jogeshwari, Shiv Sainiks and Muslim League workers are on friendly terms. What would be more truthful to say is that the Shiv Sena leaders could have checked the riot had they wished to — and that they certainly did not.

The sole beneficiaries of communal riots are the owners of chawls. The riots divert the people's attention — and anger — from the intolerable conditions of their existence and from the chawl-owners' responsibility for these conditions. The landlords have in their employ a number of goondas who supervise the unauthorised constructions and collect rent from the tenants. With the help of these goondas the owners become politically influential. By bringing in tenants of their own caste or religion, they build up political support bases. Thus almost all the tenants in Premnagar and Harinagar are Muslims, while the Hindu slums contain 90 per cent Konkanis. All of them an exploited in the worst possible manner by the chawl-owners and yet in the next elections they will vote for their respective chawl-owners or for the candidates of the chawl-owners' choice.

Indo National

INDO NATIONAL, which commenced regular production of dry cell batteries in October 1973, produced 15.96 million pieces upto the end of September last, against the installed capacity of 60 million pieces per annum. The company experienced adverse market conditions and very stiff competition from the established brands. It is now taking steps to introduce paper clad batteries, subject to obtaining necessary import licences and other approvals, to meet the demand of the interior markets.

PORTUGUESE AFRICA—II

Entrenching Freedom Struggles

Sankar N Maitra

THE Portuguese were the first European nation to establish colonies overseas, and will be the last to wind them up. At first sight, it might seem curious that when much bigger nations such as Britain and France — not to mention the smaller ones such as Holland and Belgium — had given up their African colonies after the Second World War, little Portugal alone should cling so tenaciously to its African possessions. Part of the answer lies in the fact that while other European powers had been thoroughly shaken up and drained by the two world wars, Portugal remained relatively untouched as it had taken only a modest part in the First World War and remained neutral during the Second. The 40-year long Salazar regime, starting in 1928, made Portugal's isolation even more complete. Caetano, Salazar's successor, continued the trend for another six years. The world was viewed by Portugal in these decades in the romantic consciousness of a 'heroic' past. The colonies seemed tangible proofs of Portugal's greatness, and parting with the colonies was unthinkable. Thus, faced with the Indian demand for the return of Goa, Salazar (usually a taciturn man) burst out saying: "We would be giving or selling the Portuguese of India, the lands of Alfonso de Albuquerque, our heroic achievements in the Orient, the saints of the Church, our country's martyrs. For how much? For how much?"

But the aspect was different viewed from the African angle. Africans had no share in such imperial 'glory'. Even the economic advance of Portugal hardly touched them. The shanty towns outside Luanda and Lorenzo Marques increased in size; job opportunities failed to keep pace with the increase of population; and, what was worse, Africans faced competition from poor whites who came in large numbers from Portugal in search of economic opportunities. As a result, Africans were forced to emigrate in search of jobs, to Belgian Congo, Rhodesia and South Africa. There they got better pay and new ideas. Possession of a car by an African was very unusual in Angola; in South Africa it was fairly common. If black South Africans could shout *uhuru* (swaraj) why could not those of Angola and Mozambique do the same?

The history of nationalist movements in the Portuguese colonies is a chequered one — sometimes uniting, sometimes dividing, but never still. The oldest movements were in Angola among the urban *mestico* (mixed blood) and *assimilado* (assimilated Portuguese culture) circles. It expressed itself in journalism during 1870 to 1920. But newspapers were subject to censorship, and activists of the movement to imprisonment or exile. During the long Salazar regime, in fact, nationalist movements had to go underground.

In Angola, three major liberation movements took organised shape in the nineteen fifties and sixties. UPA (*Uniao das Populacoes de Angola*) was first started in 1954 — among the Bokongo tribe, who live partly in Angola and partly in Congo. Its leader, Holden Roberto, was wholly Angolan. The movement aimed at the liberation of the entire country. In 1962, two smaller movements merged themselves with UPA which now, on the Algerian model, constituted itself into a government in exile, GRAE (*Governo Revolucionario de Angola no Exilo*). Parenthetically, the bitter rivalry among the different African liberation groups springs not so much from ideology as from ambitions for succession to the outgoing colonial power. The pure milk of *swaraj*, as the Indian National Congress found, is followed by the headier and more delectable *satta* — power and patronage.

The second movement was MPLA (*Movimento Popular de Liberatacao de Angola*), founded in 1956 with a strong following among urban *assimilados* and headed by Agostinho Neto, a physician and poet, and Mario de Andrade, a well-known Leftist writer. In February 1960, MPLA put out a five-point programme, which included self-determination for the people of Angola and a round-table conference with the Portuguese authorities. It was rejected out of hand by Salazar. Thereafter, MPLA embarked upon a course of armed struggle. UPA already had military training camps across the border in Congo.

The third major liberation movement in Angola was UNITA (*Uniao Nacional para a Independencia Total de Angola*), founded in 1966 by Jonas Savimbi who broke with Holden Roberto and formed his own party.

The year of the great divide for the liberation movements was 1961. The Portuguese regime in Africa was rudely challenged by African armed insurrection and given notice to quit. As a curtain-raiser, there were attacks by MPLA men on police barracks and prisons in the suburbs of Luanda. Then, during the Ides of March, there were massive attacks by armed guerillas of UPA on Portuguese settlements and plantations in the northern part of Angola, Maguela de Zombo, Uige, Quitixe, Nabuangongo and Carmona. Men were killed and mutilated, and women and children were not spared. Blacks who stood in the way were liquidated along with the whites. Angola had a token military force of 8,000, of which 5,000 were Africans. It was quite inadequate to meet the challenge of the insurrection. The retaliation by white settlers, aided by the Portuguese secret police, PIDE, was terrible. Estimates of numbers killed by the guerillas vary from 2,000 to 6,000, and by the Portuguese from 10,000 to 30,000. Africans fled in massive numbers across the frontier to Congo; at its peak, the flight of refugees reached 300,000.

In response to an SOS from Angola, troops were rushed by air and sea from Portugal, till they numbered 50,000. Insurgency around Luanda was crushed, and much of the northern areas earlier overrun by guerillas were recovered. By October, the crisis was officially declared over. But those few months, locally referred to as *confusao* (the period of confusion), put into sharp focus that five centuries of the Portuguese 'civilising mission' — of turning heathen Africans into Black Portuguese — had failed. Whatever brand of counter-insurgency methods be devised — laws regarding *indegenas* (natives) liberalised, economic progress accelerated — the African was no longer willing to accept any other status in his own country than that of master.

The fighting thus continued for the next 13 years — mainly in Cabinda and in the north and east of Angola. It is estimated that the guerillas, based in Congo and Zambia, numbered between 5,000 and 7,000. But in Angola alone they had tied down 50,000 to 60,000 Portuguese troops.

The freedom movement in Mozambique, too, had a course parallel to that in Angola, though not identical with it. It, too, began with protest journalism. The Second World War saw an upsurge of nationalist feeling represented by poets like Craveirinha and de Souza, and painters like Malangantana. About

this time a student movement called NESAM was founded by Eduardo Mondlane. But the hand of repression was heavy. A demonstration by peasant farmers in the Mulda district in 1960 resulted in the massacre of 500 persons by Portuguese security forces. It became clear to the nationalists that the base of any movement must be outside Mozambique. When Tanganyika became independent in 1961, the scattered streams met at Dar-es-Salaam and in unison formed the FRELIMO *(Frete de Libertacao de Mocambique)* under the leadership of Eduardo Mondlane. There was, however, a splinter group known as COREMO *(Comete Revolucionairio de Mocambique)*.

Mondlane had travelled far from his high-school days in NESAM. His university career included Witwatersrand, Lisbon and Harvard. After a spell in the Trusteeship Department at UN Headquarters, Mondlane returned to his native land in 1961. From then, until he was killed by a letter-bomb in 1969, he was the outstanding leader of the nationalist movement in Mozambique.

Mondlane's objectives were fourfold. First, to establish an underground organisation utilising the NESAM network to raise the general level of political consciousness. Second, to raise and train military forces: the first lot received their training in Algeria, and later a training camp was set up in Southern Tanzania. Third, to raise the educational level of Mozambique iniles: for this, the 'Institute Mocambicano' was started in Dar-es-Salaam by Mondlane's American wife with foreign help. Fourth, to propagate abroad against Portuguese colonial rule : for this, offices were opened in Algiers, Cairo and Lusaka.

FRELIMO fielded as many as 10,000 armed guerillas and firmly held Cabo-Delgado district in the north-east, and the western Nijassa district centred on Vile Cabral. They have also made deep incursions into Tete province, dangerously near the Cabora Bassa dam site, on which the Portuguese have pinned so much of their hope for the future. While doing all this, FRELIMO has kept Portuguese troops several times their own number tethered to the battlefield.

The protracted struggle since 1961 of the African nationalists against Portugal, could hardly have been sustained without external aid in different forms. The various liberation movements had their headquarters in neighbouring African cities — Dar-es-Salaam, Kinshasa, Lusaka, etc. The guerilla fighters had their training camps in independent African States just over the Portuguese border, or sometimes further afield in Algeria. The OAU (Organisation of African Unity), working through its Liberation Committees, gave financial help to the nationalist movements; and in 'recognising' GRAE in Angola and FRELIMO in Mozambique conferred quasi-legal status on them. Members of OAU also provided a ready-made platform for voicing the grievances of the colonies and challenging Portugal at every turn at the United Nations. But words break no bones. Military hardware came mainly from Russia and the East European countries — though Holden Roberto started his first campaign with rifles procured in Congo itself. FRELIMO came to depend for military training on Chinese instructors while their arms came mostly from Czechoslovakia.

But, interestingly, the support for the nationalist movements in Portuguese Africa did not represent a straight division between NATO (supplying Portugal) and the Communist bloc (supporting the Africans). Holden Robetro's UPA received help from the American Committee on Africa and the British movement for the Freedom of Peoples in Portuguese Colonies. Mondlane commanded considerable respect in the West, and received financial aid from impeccable bodies like the World Council of Churches. The Institute Mocambique was started by Janet Mondlane with help from the Ford Foundation.

Inside Angola, Protestant missionaries — particularly Baptists — were suspected by Portuguese authorities of aiding and abetting the guerillas, and some missions were closed down on that account. Not all Catholics were above suspicion either. In Mozambique, FRELIMO received open support, as a genuine national movement, from foreign Catholic missions. As a result, a number of Belgian white Fathers were expelled from Mozambique. Anglican and Swiss Protestant missions too were sympathetic.

A movement, like GRAE or FRELIMO, which receives arms from communist countries, financial aid from American sources, and moral support from Christian missions, must be regarded as many-sided. Liberation has yet to come fully to the Portuguese African colonies.

Yet oddly, it precipitated events in Portugal, culminating in the change in regime on April 25, 1974. If war had not continued for 13 years in the colonies, it is quite conceivable that the Estado Novo regime in Portugal would have gone on. It had survived even Salazar's death in 1968. But in the end, the strain of war proved too much for Portugal. It had to mobilise permanently 150,000 soldiers for service overseas, and spend about 44 per cent of the national budget on defence. In the enlistment of men of military age for regular armed forces Portugal, with 11.2 per cent, is the second highest in the world — after Israel, with 12.8 per cent. This rate is more than double the rate in the US where there was so much trouble over drafts for Vietnam. The average duty was for four years. If the war in the colonies — with its endless drafts and wastage of life in the tropics — was to be stopped, the regime at home had to be overthrown.

That the war in Africa could not be won by military means struck General Antonio Spinola, Deputy Chief of Staff, who voiced his opinion in his book "Portugal and the Future", which immediately became a best-seller. But the same thought had also struck officers much lower down the scale, at the Captain's level. In fact, the Lisbon *coup* of April 25 was largely a junior officers' *coup*. These young officers were close to their men and shared their hardships. They knew how inflation was eating into their small salaries, and felt that victory would never come. They also knew that the regime at home had set its face against any political settlement in the colonies. It is significant that the first paragraph of the Programme of the Armed Forces Movement, published on April 26, finds fault with the old regime precisely on this point. The war in Africa led to revolution in Portugal. It was a case of the tail wagging the dog.

Apollo Tyres

APOLLO TYRES is setting up a plant at Chalakudi, a 'backward' area of Kerala, for annual manufacture of five lakh numbers each of automobile tyres and tubes in technical collaboration with General Tyre International of USA. Of the total capital outlay, estimated at Rs 25.5 crores, Rs 8.5 crores is proposed to be met by share capital and Rs 17 crores by term loans. The company has tied up all its requirements of foreign exchange amounting to Rs 6.5 crores. It intends to come out with the public issue in May next. Raunaq Singh, chairman, expects the plant to go on stream by December 1976 or even earlier.

A Khartoum Diary

A M

THE festival of form-filling starts right at the airport. It could hardly be otherwise. The British had been here, for more than fifty years: once the British came, would forms — to be filled in triplicate — be far behind? This is still Kitchener-Gordonpasha land; this is still *Condominium* land. The imperial colonialists are gone, long live the ethos of imperialism-colonialism. Fill the forms, push the files; if you have to involve yourself, take care to do so only at the margin; shadow must continue to be the substance of your existence. The song of imperialism-colonialism is a sad song, hi lili, hi lili, hi lo.

Under the Condominium Agreement, the British ruled Egyptians for more than half a century. But the fiction was preserved: they ruled only as 'trustees' of the Egyptians, who supposedly, on their own volition, transferred the burden of ruling to the white man. The Neguib-Nasser revolution swept the British out of Egypt. But, never say die, a few rearguard manoeuvres continued in Sudan, at least for a while. He who plots, prospers; he who divides, rules. So keep whispering to the tribes down south, dispersed over Beher el Ghazel, Equatorial and Upper Nile, that they were Africans, not Arabs; keep whispering to the young Arab subaltern from the Khartoum suburb of Omdusman that the *kaffirs* from the south need a bit of straightening out; keep the Ansars posted with the nefarious goings-on between the Khatmiyyas and the Egyptians; tell the Khatmiyyas about how the rich Gazira land was being gobbled up by the Ansars; urge the Ummas to battle with the Ashiqqas, warn the Ashiqqas that the Umma-Mahdists were going to exclude them from the ranks of the army and the administration.

These are familiar pieces of the puzzle: whatever the country, the British, always correctly conservative, preferred to play the invariant game. Shuffle the names — Sayed Abd al-Rahman al-Mahdi could have been Mohammed Ali Jinnah, Ismail al-Azhari could have been Tej Bahadur Sapru, Abdallah Khalil could have been Motilal Nehru. Imperialism-colonialism was always a bit like Hindu architecture — repetitive, predictable, with a predilection for pitting one native elite against another native elite. Meanwhile, of course, the cotton tracts in the confluence of the Niles turned lusher and lusher; and that other investment in empire, the single track rail line between Khartoum and Port Sudan, carried away the rich haul of raw fibre, to be duly shipped to Lancashire.

Alas, all good stories have to come to an end, the flag has to be brought down from the mast-head, and it is all over. The British had to quit in 1956, and it was Independent Sudan. Or was it? For it is still Kitchener-Gordonpasha land. In the near-twenty years since Independence, the Sudanese elite have forgotten none of the British lessons, and have since picked one or two of the American ones. This has been, for them, season for mutual hatred and intrigue, season for plots and counterplots — both during hours and after hours. Time as a dimension never entered in the British scheme of things; it has not intruded into the consciousness of Sudan's ruling groups either. Theoretically, Sudan remains Africa's largest country, the land mass exceeds India's, but the total population would barely reach sixteen million, of whom at least one-tenth are huddled together in the sanctuary of Khartoum-North Khartoum-Omdusman. Outside of the triangle around Khartoum, formed by the interstices of the Blue and the White Niles, it is a horrendously poor country.

The rains do come in the south, but nobody has till now bothered to harness them, and the southern provinces remain alien outposts, condemned to quasi-pastoral subexistence; the nomads out in the west are left to their own devices, at least most of the time, unless irrigation makes some of their land ripe for appropriation and mechanisation, when trouble arises. Independence came in 1956, but economic development has not yet quite arrived in Sudan. The ruling groups in Khartoum schemed and plotted, coalesced and divided — all the time, the gleam in their eye was exclusively for the governmental spoils and the surplus extractable from the rich, limited, mechanised cotton-cum-sugar tracts in the neighbourhood of the capital.

For a while, the parliamentary game was on — the usual permutations and combinations of political groups and religious sects and foreign lobbyists. He who was with X in the morning became his grimmest enemy by sundown; he who on Tuesday Y's implacable enemy was — by the grace of Allah the Merciful — come Wednesday high noon, his sworn lieutenant and comrade-in-combat. Now and then, some elections were held, perfunctorily, with a casually worked out suffrage, and the elite knew how to manipulate them where. By the beginning of 1959, the army pushed aside the politicians, but the pattern did not change: the army had its sects and sub-sects, intra-command jealousies and heart-burnings. From time to time, much in the manner of sudden parliamentary manoeuvres, counter-coups followed coups; some colonels and brigadiers got shot, some got promoted. In the mid-sixties, there was a reversion to rule by the political parties. Obviously, it failed to meet the criteria of the Pareto Optimum, and the army moved back — this time, egged on by the radical students of Khartoum University and a fledgling communist party basing itself on the support of the low-paid peasant-workers in Gezira and the linesmen and pointsmen of Sudan Railway.

The students were soon driven back inside the University. And the communists, after trying a half-hearted *coup* of their own — a coup that failed — appear to have been altogether obliterated, barring a few half-whispers in run-down eating places in Omdusman. Meanwhile, though, a southern group, the Anya Nyas — disgusted by the fact that all the dates that are munchable and all the gum Arabic that is chewable are being munched and chewed by the rascals from the northern provinces — mounted a rebellion. Some two years ago, it was patched up. For the first time, there is a regional government for the South operating from Juba, whose head is also a Vice-President of the national regime in Khartoum. A university, again located in Juba, has also been thrown in as part of the package deal.

So, there you are, Sudan for the moment has no open civil unrest to cope with. There is, naturally, a certain stillness in the air. Go round to the offices of the Sudan Socialist Union — which is the formal name for the junta which currently rules — and, if you can obtain a pass, go round to the army barracks. The crisis in confidence has arrived. Power is an inheritance, but what does one do with it, particularly if one does not want to disturb overly the existing correlation of forces? To tinker with an equilibrium situation — howso-

ever precariously perched it might be — entails a risk. For, especially in the case of a society which continues to be ensnared by tribal diversities, you can soon lose control over the second-order consequences. The British, wizened by experience, forsook experimentation; they stuck to their standard modality; they didn't do altogether badly for more than half a century; so why not follow their example — and last out for at least another half-a-century?

The radical rhetoric in the vicinity of the Sudan Socialist Union is, therefore, neither here nor there. This is a hieroglyphics which need not be deciphered, as every student of the Egyptian Wafd party and the Indian National Congress knows. Discretion is the better part of valour, more so since the discretion is helping to line the right pockets. Filling forms in triplicate, and organising an 'armed services day' every month have, thus, their crucial uses. Such stratagems keep the population engaged, who does not know that an empty mind is the devil's workshop. True, the economy has practically stagnated in the past two decades. True, since the frontiers of mechanised agriculture — even expanding during this period of national stagnation — have led to the displacement of labour and the concentration of earnings in the hands of affluent farmers and contractors, sizeable segments of the population left languishing must be experiencing progressive immiserisation. But the ruling groups do not dare to tinker with the by now established set of priorities. Overmechanised agriculture has been combined with a certain mindlessness. Not even the most obvious, and the easiest of all, import-substitution possibilities have been thought of: the bulk of the cotton continues to be exported, and nearly two-thirds of the needed textiles continue to be imported! And this is not an individual accident; it is not even a species of 'policy'; it represents an entire genre of economic philosophy. Thus the south and the west remain cut off: the roads are not there. Isolation can give peace. If only some boats and launches were to be put on the Nile, the various populations, which constitute this nation, could have come together; but are you sure that would be proper, would not that stir up more trouble, speed up the processes of history, what a dangerous thing to do? In the educational sphere, the same *dirigisme* is furiously at work. Forget about the south and the west, which do not really 'belong'; even for the 'triangle', the outlay on education is a fantastic inverted pyramid: elementary education and literacy drives do not get the funds, but every year the couple of Khartoum universities are encouraged to turn out a liberal quota of arts graduates. These are still limited in numbers, you can still bribe them; all graduates are carried on to the government payroll. It is really very simple; all you have to do is print some more currency notes — and design some more forms, to be filled in triplicate, which will keep the graduates engaged.

Till now, this has been a placid story. Suddenly, of late, there are intimations of dynamism — from Kuwait, Riyadh, Abu Dhabi. The oil-rich Arab brothers from those quarters do not know what to do with all their recently acquired wealth, they might be willing to pass on a few billion dollars for the amelioration of the plight of their less fortunate brethren, such as the Sudanese. Excitement and speculation are the staple of the day. How much would they offer? How generous are the terms going to be? In case the money comes gushing in, where do we put it? The southerners are really not Arabs, why should they get any part of this essentially Arab bonanza? Would we have enough to import a thousand tractors a year, or two hundred harvester-combines, so that we could do without the wretched nomads in the busy season? Would there be funds enough, too, for jazzing up the army — some more brilliantly-shining, silently-rolling tanks, a score or so of fighter planes, a modest stockpile of ground-to-air missiles?

From beyond Port Sudan, right across the Red Sea, is Saudi Arabia; look hard, Kuwait and the rest are not too far away either. Suddenly, the scent of money is filling the air, it is a-coming, a-coming. Logic demands that Barclays Bank should have been around to handle all this money. It is not, but, never mind, the good Americans are very much on the scene, the Grand Hotel is overfull, and there is a Nile Hilton fast coming up. The petro-money must be recycled — to the United States. The Americans, working through international agencies and otherwise, are here to ensure that whatever Arab funds flow down to Sudan do not get frittered away on silly idealistic causes, but are appropriately 'channelled' into capital-intensive projects which could make good use of high-priced, obsolete equipment from the United States.

The song of neo-colonialism is a sad song, hi lili, hi lili, hi lo. The British have departed, but have left behind a mile-long, cemented embankment along the Blue Nile, right in front of the Grand Hotel. As dusk falls, cars pack up chaotically next to the hotel, the expatriates begin to drown their physical discomfort in gimlet and shandy, and desultorily talk about which ministry to convert to their point of view the following morning; there is not much stirring on the embankment, the breeze mostly plays truant, an irrigation pump occasionally stutters from the other side of the river; the embankment is generally lonely, now and then an unemployed young man, perhaps from Omdusman, perhaps from further in the interior, aimlessly ambles by, a *certain sadness in his gait; he does not* know where he is going, to whom his rulers propose to barter away his destiny the following morning. All he can cling to so far is the faith that the sun also rises. But as twilight blankets the Nile, even this faith sometimes thins out in memory. Colonialism is dead, long live colonialism!

Pearlite Wire Products

PEARLITE Wire Products is establishing a project in the notified 'backward' district of Alleppey for annual manufacture of 540 tonnes of galvanised wire ropes of 3 to 12 mm diameters and 360 tonnes of bright wire ropes of the same range of diameters. These ropes, which are used in the fishing, engineering and shipping industries, have good demand in the home market as well as abroad. The project, estimated to cost Rs 85 lakhs, is to be financed by share capital (Rs 25 lakhs), term loans (Rs 30 lakhs), deferred payment on plant and machinery under IDBI's scheme (Rs 20 lakhs) and Central subsidy (Rs 10 lakhs). Construction of factory buildings is almost complete, plant and machinery has started arriving, and erection should be completed by May next. Trial runs are expected to start soon thereafter. The unit is registered with DGTD and will, therefore, be eligible for allocation of its requirements of zinc and lead. The other raw materials are available indigenously. The company expects to achieve full capacity in the third year. R P Aiyer is the chairman of the company and Xavier D Parakkel is the managing director.

Israel versus the Palestinian Nation

Christopher Collingwood

Peace in the Middle East: Reflections on Justice and Nationhood, by Noam Chomsky; Vintage Books, New York, 1974; pp 198; $ 1.95.

IT is unlikely that the swift tempo of events will erode the foundations of this book. Since it was published Yassir Arafat has addressed the UN General Assembly. In a recent interview Georges Habbash the leader of the FDLP stressed that "Palestine is just as much Arabic-Palestine as France is French. Our strategic goal on which there is no divergence within the resistance is to establish the unity of our country, to repatriate those who have been chased out, and to build a democratic multi-confessional state. We believe, in contrast, to other fedayeen organisations that any settlement that would consolidate the zionist entity in conferring on it legitimacy, constitutes a species of surrender."[1]

There are cleavages within the Palestinian movement, but what is crucial is that the conflict within the Middle East, so trenchantly traced by Chomsky, points to the realisation that the fundamental issue is no longer between Israel and the Arab nations as such, but between Israel and the emergent Palestinian nation. "Who are the Palestinians? Where are they?" queried Golda Meir. This is part of the ideological stance of zionism and a rationalised one, since once assumed, moral issues vanish. Menshem Beigin, a zionist ideologist, in his exhortations to a Kibbutz audience put it this way:

> "My friend, take care. When you recognise the concept of 'Palestine', you demolish your right to live in Ein Hahoresh. If this is Palestine and not the Land of Israel, then you are conquerors and not tillers of the land. You are invaders. If this is Palestine, then it belongs to a people who lived here before you came. Only if it is the Land of Israel do you have a right to live in Ein Hahoresh and in Deganiyah B. If it is not your country, your fatherland, the country of your ancestors and of your sons, then what are you doing here? You came to another people's homeland, as they claim, you expelled them and you have taken their land..."

The Israeli history books have been rewritten and it is no accident that Chomsky and those humanists who share his views have been subjected to staggering pressures both within and outside the academic community.

But such muzzling will not succeed if only because what Chomsky describes is an emergent reality. To understand Golda Meir's facetious crack one must study the origins of Zionism as an ideology and the territorial expansion of the Yishuv from the time of the Mandate in 1919 when Jews were 9.7 per cent of the population and Arabs 91.3 per cent. In 1936, the corresponding ratio had risen to 30 per cent for the Jews and 70 per cent for the Palestinian Arabs.

Immigration and land alienation thus became the twin pillars on which the future state of Israel was to be built. By the armistice agreement of 1948-1949, the emergent Israel held effective control of 77.4 per cent of the former Mandate and an estimated 780,000 Palestinians had been driven from their homes. Such were the unwritten Nuremberg laws of contemporary zionism. These numbers were, of course, to swell with the wars of 1956, 1967 and 1973. But territorial aggrandisement on such a massive scale was not to bring Israel greater security, but compound its insecurity. Ironically Talmon puts it in a nutshell. "Israel may be able to win and go on winning till its last breach, win itself to death... After every victory [it faces] more difficult, more complicated problems... The abyss of mutual hatred will deepen and the desires for vengeance will mount." The first part of that sentence is dubious since the technical and scientific superiority of Israel is a transitory historical phenomenon and it also belies Chomsky's contention that "it is likely that the technological gap will increase rather than decline".

To be sure, the 1973 war demonstrated not merely the myth of Israeli invincibility sedulously nurtured by the architects of the American imperial system but the racism inherent in Zionism which in all essentials is akin to Nazi concept of the *Herrenvolk*. The nostrum of invincibility, however has another aspect to it for, as Mohamed Heikal recently noted: "For every tank they can field, we can buy 10 and train the crews. Quantity is as deadly as superquality." Israeli expansionists contend that it is necessary to hold on to occupied territories so as to obtain more secure frontiers. But where will these secure frontiers end? The very notion of the 'secure frontier' is a 19th century shibboleth and it flies in the face of the urgent need to seek an accommodation with the Arabs and more specifically with the Palestinians or as Chomsky puts it: "Israel will never be in a position to guarantee its own security, no matter how massive its armaments. Guarantees of security do not exist."

A widening of the conflict will not help either. In a recent article Robert Tucker in the January issue of *Commentary* (1975) (organ of the American Jewish Committee)[2] who now advocates the permanent occupation of Arab oil producing lands. Was it fortuituous that Kissinger's declarations of intent were also made in the same month in *Business Week* (January 2) and which put forward the same theses as Tucker? The powerful zionist lobby in the US not only believed that such escalation would solve the problems of the oil consumers in the capitalist world, but at one shot it would solve Israel's problems as well. In short, one more stage in territorial aggrandisement is being planned and this time openly. But what are the implications of this not only for Israel but for the capitalist world as a whole? Such a course has been labelled 'criminal insanity' by the American Jewish liberal I F Stone:

> "The question of Israel already occupies a disproportionately large role in American politics. At a time when the US Army has an excessively high ratio of the black poor, US embroilment in a Middle East war has a far greater potential for social disruption, class and racial, than the recent Vietnamese war. The energy crisis and the depression, inflation and joblessness are sufficiently destabilising in our society without an injection of anti-Semitic paranoia... An American military occupation of the Arabian peninsula with or without Israeli military collaboration, would dig deeper than ever the Gulf between Israeli and Arab".[3]

That last statement is a gross understatement since it would not merely 'dig deeper' the gap, it would radicalise even further the Arab world and would incubate an Arabised Vietnam of enormous potency. Of course, it would be a delusion to believe that these territories could be effectively retained for any length of time. What then would be the fall-back positions of the occupying powers? There would

be none for the destruction of the current conglomerate of feudal-capitalist caste in the oil producing countries (who are the natural allies of imperialism when all the idle rhetoric of the third world 'unity' is ditched) would be a self-inflicted political and economic wound of major proportions. And here the I F Stone touches the nub of the issue once again.

> "If you overthrow the Shah — or King Feisal of Saudi Arabia or the oil sheiks of the Persian Gulf emirates — you have nowhere else to go. There is no basis for any support in the populations of any oil state, rich or poor, for an American invasion. There is no Thieu or Chiang Kai-shek in OPEC... This desert area is bigger than a dozen South Vietnams combined. And how do you protect American lives and property in the rest of the Arab world?"

And what of 'protection' in the non-Arabic world? The very fact that the zionist lobby and their allies in the Pentagon and the State Department could concoct such plans are indicative of their sheer inability to understand those forces not only within the Middle East but within the Third World, as well as the conflicts and contradictions now tearing at the vitals of the developed capitalist world.

In these sensitive essays graced by an exquisite foreword by Irene Gendzier, the reader is faced with a pivotal issue namely, as Chomsky puts it, that "Israel is a Jewish state with non-Jewish citizens. By law and administrative practice it must be — and is — a state based on discrimination and exclusivism". In theory, at least, such 'discrimination and exclusivism' was not always inherent in the mode of perception of certain zionist ideologists judged by their early pronouncements in the twenties and thirties. But such mellifluous outflows on Jewish-Arab fraternity have now vanished and in its place naked acts of violence and force have become the strategy of the zionist empire-builders.

Zionism has led to the creation of Israel, but it has also contributed to the spawning of the Palestinian liberation movement. Thus zionism which was seen as an ideology of liberation of certain segments of the Jewish community has incubated its opposite and has given a spur to the Arab national movement as a whole.

A major obstacle to bringing about peace in Palestine is the prevailing view that most Jews have of what they want from the Arabs. What they would essentially prefer is that the Arabs be passive in respect to the Jews. They want the Arabs not to object to Jewish immigration and construction, not to be too closely involved in the Jewish economy, and currently not to attack Jews or to harbour the attackers. In return, the Arabs would get economic benefits from the neighbouring Jewish economy, would be gradually modernised economically and politically, and would on their part not be attacked by the Jews. The weakness of this view is that people are not passive. They may appear passive in that they accept the controls and ideas of relatively static upper classes. But when economic and social changes take place about them, they react to them. When the Arab upper class tries to direct the population into anti-Jewish attitudes, the Jewish workers cannot counter this by asking the Arab population not to react at all and to leave the Jews alone. They can only offer the Arabs an alternative way of reacting, one more useful to the Arab peasants and workers.

Notes

1 See *Le Monde*, February 6, 1975. The name Palestine is derived from the word Palushat or the territory of the ancient Philistines and, according to Eric Rouleau, appeared in the writings of Herodotus in the 5th century BC. During the Roman and Byzantine occupation the region was divided into three administrative provinces, a system which was maintained by the Arab conquerors in the seventh century. See, Eric Rouleau, "The Palestinian Quest", *Foreign Affairs*, January 1975.

2 This committee had been bankrooled, amongst others, by Eli Black, late President of the United Brands company and has had, like *Encounter*, close connections with the American establishment.

3 *New York Review of Books*, February 6, 1975.

Mangalore Chemicals and Fertilisers

MANGALORE Chemicals and Fertilisers is about nine months behind schedule owing to delays in the manufacture of some equipment in India and receipt of imported items on account of the three-day week in UK and now expects to commence production of urea by the end of June or early July next. At the same time the project cost has also gone up and, according to revised estimates, additional funds to the tune of Rs 792 lakhs would be required for completing the project. The company's bankers and the financial institutions (IDBI, IFCI, ICICI, LIC and UTI) have agreed to grant additional term loans aggregating Rs 492 lakhs and the balance of Rs 300 lakhs would, for the time being, be arranged through bridging finance from banks. The bridging loan is intended to be repaid from the proceeds of additional share capital to be raised from members of the company at an appropriate time after commencement of commercial production. Rise in project cost and higher prices fixed by government for naphtha and fuel oil will increase costs of production of both urea and ammonia, but the directors say that the effect of these cost increases will be mitigated to some extent by the higher ex-factory sales realisation from urea and that the project's profitability and cash generation potential remain "as attractive as originally estimated".

Meanwhile, the company has to contend with some other problems. KSEB, with whom the company had entered into an agreement in 1972 for the supply of high tension power at a fixed rate for 10 years, has served notice asking for a variation in the rate as also in the period of the contract. The matter is under negotiation with the Karnataka government and KSEB. Also, the agreement with the state government for the supply of raw water for the plant has not yet been executed, as the government has not yet conveyed the firm rate of supply. Besides, work on the Mangalore-Hassan metre gauge railway line has been substantially slowed down due to shortage of funds in spite of the earlier assurance by the Railway Board that the line would be ready for operation before the company went into production. The line is now likely to be ready in early 1977 and for the intervening period the company has to consider alternative methods of transport for distribution of its products.

At the instance of the government of India, the company had submitted a proposal for substantial expansion of its plants, but in view of the energy crisis and sharp increase in prices of petroleum products government has decided to defer the expansion. Its was then suggested by the government that the company may consider installing a new plant based on the use of coal, but this proposal was not considered feasible or economical in view of the difficulties envisaged in obtaining regular and adequate supplies of coal from a long distance by rail or sea.

THE BUDGET—I

Decline and Fall of Public Sector

S K Rao

Prabhat Patnaik

The strategy of the Budget for 1975-76 is quite clear: concentrate your shrinking investible resources mainly on inputs for agriculture; and find the wherewithal for this, if necessary, through a further squeeze on mass consumption rather than on the consumption of the middle and upper classes.

This is a strategy born out of desperation; it also marks the transition from belief in an expanding capital goods sector under the aegis of public ownership to a situation in which the state confines itself to the dignified 'core sector'.

I

THE strategy of the Budget for 1975-76 is quite clear: concentrate your shrinking investible resources mainly on inputs for agriculture; and find the wherewithal for this, if necessary, through a further squeeze on mass consumption rather than on the consumption of the middle and upper classes. This is a strategy born out of desperation; and it is a strategy that marks the transition from belief in an expanding capital goods sector under the aegis of public ownership to a situation in which the state confines itself to the dignified 'core' sector.

The reasoning underlying the Budget is spelt out at length both in the Budget speech of C Subramaniam as well as in the "Economic Survey" for 1974-75, which the Finance Minister presented to Parliament four days before the Budget. In short, the government believes that the chief constraint on growth at the present moment is the lack of growth in agricultural output, particularly foodgrains. The stagnation in agricultural production limits the size of public investment, for a higher outlay could result in further inflation; and as long as public investment cannot expand, investment and output in the private sector also stagnate, for the chief source of stimulus to the private sector has been the public investment. One, therefore comes back to the question of agricultural growth: how can it be stimulated in the face of limited resources for public investment?

The Budget proposes an outlay of Rs 3,154 crores for the Central Plan in 1975-76 compared to a total of Rs 2,793 crores (revised estimate) for 1974-75 which constitutes a rise of about 13 per cent in nominal terms. If the rate of inflation continues at even half the rate in the current year, real investment will be about the same as this year. The total Plan outlay, including the States and Union Territories' outlays is, however, planned to rise by 23 per cent in nominal terms in 1975-76 — in which case, total public investment in real terms may show a marginal rise if the rate of inflation abates to a level of around 20 per cent a year.

Out of the Plan outlay of Rs 3,154 crores, the Budget provides Rs 270 crores for agriculture, Rs 276 crores for fertiliser, Rs 140 crores for power, and Rs 229 crores for coal which together constitute about 30 per cent of the total; if we exclude coal, the share comes down to about a quarter of the total Plan outlay. While this is certainly a larger share for agriculture and related activities compared to the last Budget, it is not as large as one would imagine from the Budget speech. But evidently the Finance Minister thinks that this is a large sum to be spent on agriculture and that it should pull agriculture out of stagnation. But what is in fact ailing agriculture?

The Economic Survey discusses this at some length, after ruefully admitting that "there is considerable evidence to suggest that India's agriculture seems to have lost the momentum of growth it exhibited in the late sixties". Total foodgrain output, which stood at a peak of 108 million tonnes in 1970-71, came down to 105, 95 and 104 million tonnes in the subsequent three years; in the current year, 1974-75, it is not expected to be more than what it had been last year, *viz*, 104 million tonnes.

The Economic Survey, by way of explaining this state of affairs, by and large seems to hold that weather is still the predominant influence over Indian agriculture and that it has been unfavourable; it also mentions that several other unforeseen factors have arisen: (a) appearance of rust with respect to the new wheat variety, Kalyan Sona; (b) poor water management in the rice-producing areas; (c) poor supply of fertilisers; (d) non-availability of seeds of assured quality in sufficient quantities; and (e) poor utilisation of the irrigation potential created. The Economic Survey argues, therefore, that once the Government can tackle these problems the major constraint on agricultural growth would have been removed.

Like the flashes of consciousness of a dying man, there is indeed some truth in the government's assessment. But it is also true that the government does not have the energy and the will to arrive at a fuller statement of its predicament. Its consciousness of what is holding up agricultural growth is limited and it does not seem to realise that the malady lies deeper — in its inability to corner whatever surplus there is for investment.

While broadly one cannot dispute that if more water, better quality seeds, and fertiliser are provided there should be more agricultural output, some comments are nevertheless in order. First, it is disputable whether the appearance of rust in Kalyan Sona is indeed all that debilitating a factor as the government believes. As the Agricultural Correspondent of *Financial Express* recently observed, "Blaming solely the Kalyan Sona variety's succumbing to rusts for shortfall in wheat output since 1971-72, as was attempted in the Economic Survey, apparently is not fair. There are causes deeper and far more formidable than that ... Many new varieties have kept coming from the crop breeders. Even without being overly boastful, one can say that there is now no dearth of alternatives where crop varieties go" (March 2, 1975). The Correspondent

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believes that it is lack of facilities for multiplication of the newer varieties of seed which is the 'real bottleneck; and, perhaps, one might say that this is a result not merely of inadequate investment but more significantly of an unreliable administrative machinery in charge of seed production and distribution.

Second, with respect to the poor growth of rice, the government seems to fall back on an explanation which is not clear. After noting that the growth of area under HYV rice has been even greater than targeted for the end of the Fourth Plan, the Economic Survey goes on to observe: "However, there has been no matching acceleration in the rate of growth of productivity. This is due to the fact that most of the high-yielding varieties introduced call for efficient water management practices, which is not an easy task under rainfed agriculture." This is not quite clear; if the Economic Survey is suggesting that a boost in rice productivity can come only from an expansion of irrigated area under it — which is a correct proposition — then the magnitude and scope of this task should have been adequately recognised in the Budget. For example, Ashok Mitra has estimated that the aggregate investment that would be called for to implement a proper irrigation plan for the kharif regions would be as much as Rs 10,000 to 15,000 crores at current prices (*Social Scientist*, January-February 1975) which, even if spread over a period of ten to fifteen years, would involve a minimum annual investment of Rs 1,000 crores. This is a figure which is way beyond the imagination of the current Budget.

However, to repeat, there is some validity in the government's claim that "shortfalls in the supply of chemical fertilisers, of improved seeds and in ensuring adequate utilisation of the available irrigation potential" have contributed to poor harvests in the last few years. There are two points to be noted here: first, in the surplus producing states the importance of industrial inputs — power, diesel, spare machine parts, fertiliser, etc — has gone up very significantly. Second, the quality of agricultural administration has become crucial to the performance of agriculture. The shortfalls which the government mentions are shortfalls in these two respects. But has the government paused to examine why they have occurred? In its thinking it is only a matter of expanding the supply of inputs by spending more money. But it is not just that. It is also a question of whether, in spite of spending more money, it can supply fertiliser, seeds and power in time and without adulteration. Has it not been the case that while farmers were starving for power, the streets of Delhi were brightly lit? Has it not been the case that the farmers got mud instead of fertiliser because of blatant corruption which is rooted within the system, built on spoils and patronage? This is indeed where the government cannot bear to look at itself in the mirror, but instead relies on the magic of arithmetical exercises.

There is an additional point: most of the growth in irrigation in recent years has been in the form of well irrigation, particularly in Punjab, Haryana and in the Gangetic belt. While it is true that the potential created in this regard is not adequately utilised, mainly because of the power shortage, it also seems to be the case that in several areas — particularly Punjab, Haryana and Tamil Nadu — the groundwater level is going down due to withdrawal exceeding replenishment. This implies that in important producing areas the created potential of irrigation is itself diminishing so that the government can easily be overestimating the extra returns it can get out of the existing irrigation sources. A more realistic assessment would call for fresh investment in canal and tank irrigation; the former would certainly involve long gestation investments which the government admittedly cannot undertake.

So much for the optimistic assessment of what is holding up agricultural growth. But suppose the Budget strategy works and growth picks up, would that mean that the government can then expand public investment and put the economy on to a higher growth path? We argue that it is here that the government has clearly not seen what the issues are.

Whether the government can expand public investment or not as the output of food rises (hopefully) depends upon what the causes of the current inflation are. The government believes that the inflation is basically a reflection of the fact that the supply of and demand for food are increasingly in imbalance; and the moment output of food can be made to grow faster, the imbalance between supply of and demand for food would be corrected and price stability would ensue. The Economic Survey also mentions some specific *ad hoc* causes — like the changes in the policy regarding wheat takeover — but by and large its assessment is that it is a question of supply and demand. The same theory is advanced to explain the recent slowing down of inflation; this is attributed to expectations of a better rabi crop crop coupled with several government measures which affected the supply-demand equation — like its July Ordinances aimed at restraint of consumption expenditure through a freeze on wages, salaries and dividends and the systerious workings of the MISA.

Not that the supply-demand logic is always necessarily wrong. The problem with it is that at an *ex-post* level it is a tautology and therefore cannot be disproved; at an *ex-ante* level it is doubtful whether it is an adequate explanation of inflation in the present phase. It might have been a valid way of looking at inflation in the 1950s but it is no longer so, for the qualitative relationships have changed meanwhile, partly as a result of the very pattern of development pursued so far. An argument in favour of such a view is spelt out in some detail by Prabhat Patnaik and also by N Krishnaji in their articles in *Social Scientist* (January-February 1975). Without going into details we will confine ourselves here to a skeletal statement of what we consider to be the real underlying causes of inflation.

The present phase of inflation is largely due to two salient factors, both of which reflect the new balance of economic and political power in the country: (a) In the recent period there has been a tremendous geographical concentration of growth of food output. A relatively small region, consisting of the Punjab, Haryana and Western UP, has emerged as the major surplus producing region. In several states there has been a marked deceleration in the growth of food output — Andhra Pradesh, Kerala, Maharashtra and Tamil Nadu are some examples — resulting in growing imbalances between food supply and demand in these areas. Therefore, even if overall availability has not diminished, some regions have become chronic deficit areas giving birth to strong inflationary pressures there, which are then transmitted to other regions. The geographical concentration of growth has at the same time meant that the holding power of a small class of surplus producers has enormously increased, leading to a general rise in the average stock-holding period — as a result of the inflationary pressures in the deficit states and, in turn, accentuating them. (b) The government, through its policy of revising procurement prices, has wittingly or unwittingly helped in this process of inflation. At one level,

this policy of revising procurement prices in line with rising costs of inputs has had the effect of making the ratchet effect stronger — so that prices rise when supply is short, but will not fall when it is plentiful giving rise to a 'one-way bet' psychology. At another level, it can be argued that the revisions in procurement prices did not closely correspond to changes in costs — and much of the revision had gone to boost the profits of the surplus producers under political pressure. Indeed, the Economic Survey seems to realise the inflationary role played by procurement prices. It states: "By now, there is considerable evidence to the effect that higher procurement prices do not necessarily guarantee higher procurement, but they do tend to create expectations of a further price rise." Such wisdom, however, is quickly dissipated in the sentence that immediately follows: "However, the abnormal circumstances of the last two years do not, in any way, minimise the importance of providing remunerative prices to farmers as a means of securing higher production".

The government seems to be simply unable to corner the needed surplus of foodgrains from the regions which have the surplus. This is well indicated by the fact that even though production of foodgrains in 1973-74 was up by nearly seven million tonnes over the previous year, procurement had in fact been smaller than in the previous year (see p 19, Economic Survey, 1974-75). As each harvest arrives, the pressure of the farmers' lobby mounts for a revision of the procurement price; the government now seems to be resisting this pressure to a greater degree, but can it alienate the now powerful rich farmer class for long? After all, we have been told that one significant reason for the ignominous defeat of the ruling Congress candidate in the recent Parliamentary by-election from Madhya Pradesh is the anger of the rich farmer class at the way the levy had been collected from them.

II

Indeed, there is nothing in the Economic Survey or in the Budget which allows us to believe that the story would be all that different in future. Industrial output might pick up a little if the government does manage to supply more power, coal and transport but clearly there will be a demand constraint as long as real public investment is stagnating, which it has to be as the present inflation is not likely to subside. True, prices may be manipulated for a while through a sudden release of imported stocks of foodgrains at a politically convenient moment — the Budget suggests a figure of imports of 5.5 million tonnes — but this is going to be a short-lived boon. Given the current year's output, the speculation engendered by inflationary expectations and the very expansion of budgetary expenditure—which is probably underestimated, as we shall see in a moment — the present price trends are likely to persist. Therefore, the same story is likely to unfold again: the consumption expenditure of the government will start shooting up again under the pressure of inflation; again ways will be thought of how to save the real content of the 'core' plan; again, whatever expenditure has been incurred by way of investment will be found not to have produced commensurate results because it is sieved through the sticky hands of corrupt government servants, contractors, middle men and other such new entrepreneurs.

The Budget introduced a year ago stated that the deficit would be Rs 126 crores, but, according to the revised estimates, the actual gap would be much larger than this. But for the additional resource mobilisation undertaken subsequent to the presentation of the Budget, the deficit would have been Rs 1,315 crores! The government, however, raised additional resources through fresh taxation and other measures to the extent of Rs 690 crores. Further, the government has pleaded that Rs 330 crores of its expenditure in 1974-75 involved accumulation of stocks of food and fertiliser purchased from abroad and paid for by a drawing down of foreign exchange reserves. Despite all this, the estimated residual deficit would still be Rs 320 crores which is considerably larger than the original figure of Rs 126 crores mentioned in the Budget a year ago!

The reasons for this galloping rise in expenditure during the last one year were clearly listed both in the Economic Survey as well as in the Budget speech: larger food subsidy, larger payments under dearness allowance, larger defence expenditure, larger expenditure on account of drought and flood relief (now given as Plan advances to states) and a larger railway deficit than the Budget had allowed for. All these have one common theme: as prices rose, all calculations went awry, the government had to pay increased DA to its employees and the deficit mounted. It is not as if all this was unforeseen: critics had pointed to the likelihood of a large deficit within a few days of the presenting of the Budget. It was only its ostrich-like mentality which prevented the government from itself anticipating the much larger deficit.

The indications are that the fate of the new Budget is not going to be any different. The Budget does not provide for any fresh instalments of DA, some of which are already due; it is estimated that the deficit on account of this alone could exceed the Budget figure of Rs 225 crores by at least Rs 400 crores. Then, judging by past experience, the provision for flood and drought relief appears inadequate: as against Rs 161 crores last year, only Rs 100 crores have been provided for the coming year.

And how is the government planning to meet its committed expenditure — apart from the fact that it is clearly underestimating it even if we do not assume further inflation? While its revenues are largely stagnant — because they are tied much more to the growth of industrial output — it has set forth on a series of measures which on the one hand involve a great many concessions to the upper and middle classes and on the other a further erosion of the real incomes of the poor.

The government has not only relaxed the restrictions on dividend payments under the belief that a depressed share market will depress private investment, it has also provided several tax concessions which it hopes will stimulate investment in several selected industries. There are two remarks which are worth making in this context: first, it is unlikely that aggregate private industrial investment is held up because of the conditions in the share market; it is more likely to depend on the possibilities of a revival of demand conditions — which are linked to the size of real public investment — and such factors as availability of power and transport. Therefore, these concessions will only mean less saving. Second, the method of selective tax concessions as a means of directing investment into high priority areas will make sense only if one believes that these changes at the margin will have some effect; as things are, the pull of the non-priority sector is so strong that these tax concessions will only mean loss of revenue.

The government has also made several tax concessions to the middle classes — e g, on expenditure on graduate and post-graduate education — while at the same time taxing such mass consumption goods as beedies, tea and sugar. This clearly reflects its priorities.

To sum up, the Budget for 1975-76 follows the strategy of concentrating the limited investible resources available on providing inputs to agriculture in the belief that an expanded agricultural output will allow the government to increase public investment and stimulate growth in general. This strategy is, however, unlikely to work. First, even if food output rises following the governments' efforts, it is not clear that it can get hold of a sizeable surplus at controlled prices or that foodgrain prices will fall voluntarily. If the price of food remains high — high in the sense that the mass of the people are either half-starving or have to spend a great part of their income on food — the government will be forced more and more to 'core-sector' planning and even invite private sector participation in the share capital of the public sector enterprises. Simultaneously, there will be continued growth of industries catering to the tastes of rich farmers whose incomes would be growing. Thus the pattern of industrial growth will undergo a further shift in favour of the luxury consumption goods sector. If the capacity of the investment goods sector expands, it will be only under the dictates of this new market situation — with the state relegated more and more to taking care of the essential 'core' sector.

THE BUDGET—II

Contingent upon the Unlikely

N J Jhaveri

For the realisation of the investment outlays provided in the Budget for 1975-76, in addition to the price stability, financial discipline of a very high order will be required on the part of the Central and state governments.

All the major tax concessions incorporated in the Budget are designed to encourage investment and will contribute to growth of output in future, depending on the gestation period. None of these incentives is designed to induce current output.

SUBSTANTIAL step-up in public sector Plan outlay, almost exclusive reliance on indirect taxes for additional resource mobilisation, and liberalisation of tax incentives for personal savings and investment in the corporate sector, are the three major features of the Central Budget for 1975-76. The economic factors, which form the basis of this budgetary policy, are spelt out in the Government of India's Economic Survey for 1974-75.

According to the Economic Survey, the phenomenon of slack demand witnessed towards the end of 1974-75 was confined to those industries which had insisted on maintaining prices "at a level yielding abnormally high profit margins of the last two years", in the face of consumer resistance. The Survey expects — although it does not say so explicitly — that consumer resistance will continue in 1975-76. This factor, combined with the expectation of a larger output and consequent improvement in overall supply, will likely exercise a sobering impact on prices. The impact can be reinforced by persuading industry "to pursue more realistic pricing policies". In the circumstances, it is hoped that, a budgetary policy of stepping up planned investment expenditure can be pursued without in the process generating inflationary pressures through incremental aggregate demand.

Apart from the validity of some of these assumptions, the ability of government to contain non-Plan expenditures, the nature of the commodities selected for additional excise imposts, and the inducement effect of the tax incentives offered, would be some of the important determinants of the impact of the Central Budget on current output, investment, and prices. It would be useful to bear in mind these factors while examining the main features of the Budget.

Budgetary Provision for Plan

For the public sector as a whole, Plan outlay for 1975-76 is placed at Rs 5,960 crores, registering a rise of Rs 1,114 crores (23 per cent) over the original estimate of the public sector Plan outlay for 1974-75. Of the Plan outlay for the public sector as a whole in 1974-75, the provision in the Central Budget (which includes Central assistance for state and Union territory Plan schemes but excludes internal resources of public sector undertakings) at Rs 3,612 crores records a rise of Rs 646 crores (22 per cent) over the 1974-75 Budget (Table 1).

It will be observed from Table 1 that the step-up in the Plan provision for 1975-76, over the revised estimates for 1974-75, is Rs 469 crores — an increase of 15 per cent.

While details are not available of the pattern of financing the budgetary Plan provision, an analysis of the incremental sources and uses during 1975-76 exposes the financial tight-rope-walking implicit in the budgetary resources exercise (Table 2).

It will be observed from Table 2 that, of the total incremental receipts of Rs 1,061 crores, a little over one-half are to be tax revenues. Excluding incremental non-tax revenues (mainly interest receipts) and repayment of loans (which mainly represent intra-public-sector transfers), two other items contributing to the incremental receipts are: oil credits of Rs 230 crores and special borrowings of Rs 100 crores from the Reserve Bank against blocked deposits. These are also transfers within the public sector. While receipts on account of oil credits represent prepayment by the Indian Oil Corporation and the Madras Refineries, borrowing from RBI of Rs 100 crores is on par with deficit financing (being net RBI credit to the government sector).

However, in terms of the budgetary definition of deficit, of the incremental resources of Rs 1,061 crores, Rs 400 crores are to reduce the level of deficit and the balance to finance incremental disbursements. Of the incremental disbursements, Rs 469 crores (71 per cent) will be for Plan purposes. Non-Plan disbursements at Rs 7,150 crores in 1975-76 are expected to show a modest rise of Rs 192 crores (2.8 per cent) over 1974-75 (RE). In fact, excluding defence and debt services, other non-Plan expenditure will be Rs 90 crores lower in 1975-76 than in 1974-75 (BE). As against this, net outlay on account of purchase and distribution of fertilisers, at Rs 140 crores, is lower than in 1974-75 by Rs 150 crores. On the whole, the provision made for non-Plan expenditure might prove inadequate in some cases — though at

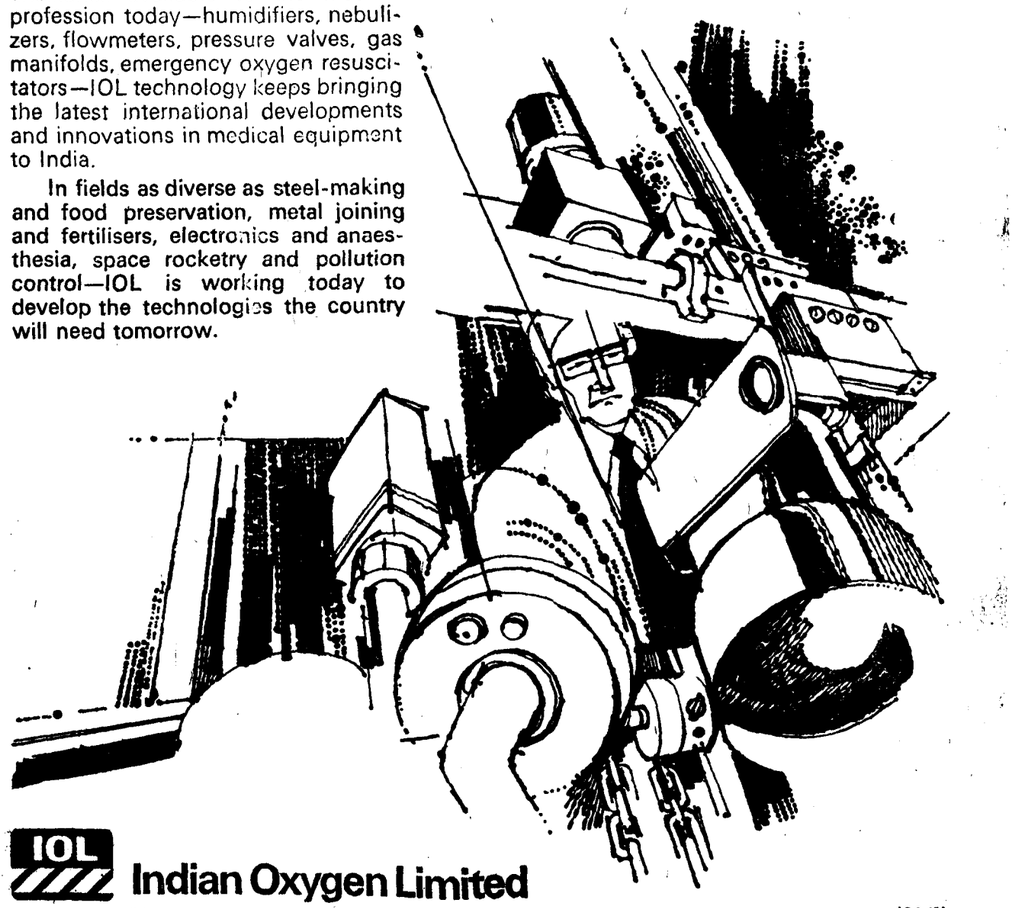
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TABLE 1: PLAN PROVISION IN CENTRAL BUDGET

(Rs in crores)

	1974-75		1975-76
	(BE)	(RE)	(BE)
General services	8	6	9
Social and community services	352	286	355
Economic services			
General economic services	38	30	49
Agriculture and allied services	216	169	227
Industry and minerals	729	863	1221
Water and power development	99	113	117
Transport and communications	613	662	580
Total	2055	2129	2558
Central Assistance			
for state Plan schemes	830	940	963
for Union territory Plan schemes	81	74	91
Total budgetary provisions	2966	3143	3612

tempts to contain non-Plan expenditures are desirable. And any increase in such expenditure carries the potential danger of jeopardising (as has happened in the past) investment outlays.

As for the Centre so also for the state governments, the ability to realise substantial surpluses on non-Plan account is likely to be an important factor in Plan performance. At Rs 2,715 crores, the states' Plan outlay for 1975-76 provides for an increase of 27.2 per cent over the 1974-75 Budget estimates. Since Central assistance for state Plans in 1975-76 is placed at Rs 963 crores, the states' own resources (inclusive of non-Plan assistance from the Centre) will have to be approximately Rs 1,752 crores in 1975-76 as against Rs 1,304 crores in 1974-75 (BE). It is difficult to say whether or not non-Plan surpluses of a magnitude which could support such a step-up in the states' Plan outlay will materialise. However, net inflow of resources to the states through non-Plan Central transfers will be Rs 1,637 crores in 1975-76 — as against Rs 1,540 crores in 1974-75 (BE). (See Table 3.)

It will be noticed that, while the states will have to find incremental resources of about Rs 448 crores (in addition to Central assistance for state Plans) in 1975-76, net transfers from the Centre would relieve the states of only Rs 97 crores of the *incremental* burden. Thus fulfilment of the Plan outlay target for 1975-76 would be contingent on the states themselves being able to raise nearly Rs 350 crores more than in 1974-75 (BE), out of their own resources plus market borrowings.

In this context, it is pertinent to note that the Central Budget has taken credit for only Rs 325 crores of net domestic market borrowing — a figure which has to be seen against the over Rs 475 crores raised in this way in each of the last four years. A possible implication of this decision could be that the domestic market borrowing allocation for the state governments and their undertakings is likely to be stepped up in 1975-76. In that case, 'own resources' available to state governments for financing their Plan outlay might increase. Alternatively, if a low borrowing target for the Central Government implies diversion of the banking sector's resources to the oil companies in the public sector (to enable them to prepay oil credits), then there is unlikely to be any net addition to the financial resources available for the Plan.

SECTORAL ALLOCATION OF PLAN OUTLAY

In addition to the *overall* Plan provision, its *sectoral* allocation is an important aspect. The sector-wise break-up of the Plan outlay is available only for the Central sector Plan. These data indicate that in 1974-75, while the Central sector Plan outlay increased by Rs 74 crores over the original estimates, there was considerable sectoral reallocation. Compared to the original estimates, while there were substantial shortfalls in the sectors of social and community services (mainly in respect of employment programmes, scientific service and research, urban development) and in agriculture and allied services sector (mainly command area development programme, assistance to Indian Council of Agricultural Research, *schemes for small farmers and agricultural labourers and drought-prone areas development*), Plan provision for industries (mainly steel, fertilisers and oil, and for transport, to a small extent) went up.

It may be noted that, while stepping up the Central sector Plan provision by Rs 429 crores (raising it to Rs 2,558 crores) in 1975-76, both in social and community services and agriculture and allied services, what is envisaged is merely a restoration of the shortfalls which occurred during 1974-75. (See Table 1). Allowing for the price rise between the formulation of the Budget for 1974-75 and the Budget for 1975-76, the provisions *in real terms* in these two sectors might actually be lower in 1975-76 than in 1974-75. On the other hand, there is a substantial step-up in Plan provision for industry and minerals — Rs 1,221 crores in 1975-76 as against Rs 863 crores in 1974-75 — comprising mainly enhanced provision for fertilisers, petroleum and coal.

However, the budgetary provision for agriculture and allied services, is not, by itself, an indicator of the emphasis on the agricultural sector. Considerably enhanced provision for fertiliser industry (in addition to providing Rs 43 crores for fertiliser co-operatives) and larger provision for the Rural Electrification Corporation (although provided under industry and power sectors) should contribute to increased agricultural output. Besides, in the absence of the details of sectoral provisions in the state Plans — through which a major portion of Plan outlay on agriculture is routed — it is difficult to calculate the total provision for the agricultural sector.

TABLE 2: SOURCES AND USES — INCREASES IN 1975-76 (BE) OVER 1974-75 (RE)

(Rs in crores)

Sources		Uses		
Tax revenue	554	General services		254
Non-tax revenue	75	Defence services		117
External borrowing (net)	18	Social and community services		66
Market loans (net)	—170	Economic services		86
Small savings (net)	55	Grant-in-aid		86
State provident funds (net)	—26	Loans and advances		52
Repayment of loans	165			
Other receipts	390			
Total receipts	1061	Total Disbursements		661
		of which		
		Plan	469	
		Non-plan	192	
		Reduction in overall deficit		400

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TABLE 3: CENTRAL TRANSFERS TO STATES

(Rs crores)

	1974-75 (BE)	1974-75 (RE)	1975-76 (BE)
States' share in taxes	1198	1224	1431
Grants-in-aid			
Plan	237	288	308
Non-Plan	774	752	805
Loans			
Plan	533	579	586
Non-Plan	490	546	520
Total	3232	3389	3650
Less			
Repayments	518	557	682
Interest payment	404	397	437
Net transfers (1+2+3—4—5)	2310	2435	2531
Net non-Plan transfers (other than for state plans)	1540	1568	1637

On the whole, while an effort to step up Plan outlays is commendable, fulfilment of the overall target — and more so the sectoral outlay targets — will require a very high order of financial discipline. Particularly so because, as indicated earlier, on non-Plan account there is a good amount of tight-rope-walking and there is considerable onus on the states to raise their own resources.

ADDITIONAL RESOURCE MOBILISATION

Measures of additional taxation proposed in the Budget would raise Rs 288 crores in 1975-76, out of which Rs 49 crores will accrue to the state governments. Almost the entire amount will be collected through additional imposts of excise.

While it is administrative, political and economic expediency which is responsible for the reliance on excise duties in the additional resource mobilisation so far, by incorporating as a specific objective of policy 'reduction in the absolute level of per capita consumption' of the well-off sections and 'reduction in inessential, non-functional consumption' the Fifth Plan Approach document has provided a rationale for indirect levies. (See author's article 'Resource Mobilisation through Indirect Taxes: Some Aspects of Fifth Plan Strategy', September 14, 1974, for a critical examination of this matter.)

The increases in excise duties on items such as tobacco, cosmetics, rayon and synthetic fibres, superior varieties of cotton yarn, air-conditioners and their parts, safes, etc — which, together, account for a significant portion of the additional yield — may have been effected on these considerations apart from for their revenue effect. Increases in duties on sugar and tea are justified on grounds of generating additional exportable surpluses. Excise duties on certain other items, like cement, aluminium, furnace oil and motor spirit, do not fall in this category; these could be used for essential purposes (e g, cement for construction of a factory) and since they are basic inputs the cumulative price impact of the duties on them could well exceed what is indicated by their weightage in the price index.

What is important to note, however, is that, if these excise duties are to attain the objective of reducing inessential consumption by further penalising it, the increases in these duties should be reflected in higher relative prices. This has to be true also of items like sugar and tea, if the purpose of increasing their exportable surpluses is to be achieved. The extent of increases in relative prices (i e, forward-shifting) would depend upon relative elasticities of supply and demand of the taxed items. Assuming, however, that the entire increase in excise duties is reflected in increases in their relative prices, the impact of this on the overall price index will be greater than the total weightage of these items in the wholesale price index would suggest.

There are several reasons to believe that the overall price increase in 1975-76 (on account of enhanced excise levies) might not be so sharp. First, since a significant portion of excise revenue is proposed to be raised through items of final consumption, the 'cascading effect' on prices — which is quite high in the case of intermediate and basic goods — will be less. Secondly, in the context of the sharp erosion of purchasing power, there is likely to be consumer resistance on several items. It is quite possible that, confronted with such a situation, industrial units might try to cover as much of the overhead costs, in addition to marginal costs, as is possible and temporarily reconcile themselves to some reduction in profit margins. Thirdly, there could be offsetting reduction in the prices of certain other items — particularly foodgrains and some imported raw materials. All in all, then, the decision to levy excise duties of nearly Rs 300 crores to finance development appears to be a calculated risk.

INCENTIVES FOR SAVINGS AND INVESTMENT

The two main objectives sought by the policy of liberalising the incentives for savings and investment appear to be (i) holding of household savings in favour of 'approved financial assets' and (ii) ensuring that available savings in the corporate sector are 'ploughed back into expansion in high priority industries.' The three main incentives provided in the Budget, in accordance with these objectives, relate to (a) liberalisation of concessions for long-term savings, (b) exemption from wealth-tax for investment in equity shares of new companies in priority industries, and (c) tax holiday liberalisation and exemption of intercorporate dividends for certain priority industries.

PERSONAL SAVINGS INDUCEMENT

In order to 'promote' personal savings, existing concessions in respect of contribution to provident fund, life insurance premia, etc, have been further liberalised. As a result of these modifications, the maximum amount permissible as deduction from taxable income will rise from Rs 9,500 as at present to Rs 11,000. The amount of additional tax saved will depend upon (a) the amount of long-term saving presently made and (b) the marginal tax rate (Table 4).

While liberalisation of tax concession will reduce the effective tax burden on income-tax payers who may be in a position to contribute to long-term

TABLE 4: ADDITIONAL TAX SAVING (MEASURED AS PERCENTAGE OF THE AMOUNT OF INCOME SAVED)

Increase in Saving		Marginal Income-Tax Rate including Surcharge (Per Cent)						
From	Upto	17.5	22.0	33.0	44.0	55.0	66.0	77.0
2000	4000	8.75	11.0	16.5	22.0	22.5	33.0	38.5
4000	10000	1.75	2.2	3.3	4.4	5.5	6.6	7.7

savings, its inducement effect is likely to be limited, except for the high-income low-saving (long-term) combination (Table 4). It will be observed, for instance, that while additional rebate for a taxpayer with marginal tax rate of 16.5 per cent will be 8.25 per cent of the amount saved (between Rs 2,000 and Rs 4,000), that for a taxpayer with marginal tax rate of 77 per cent will be 38.5 per cent of the amount saved. Both from the point of equity and strengthening the inducement effect of tax concession for the income-tax payers in low and middle income groups, it is desirable to allow graded amounts of qualifying savings as deduction in a manner which would reduce the extreme disparity in tax saving between the high and the low income groups. (See author's article in the issue of November 4, 1972, for discussion of one such proposal.)

Wealth-Tax Exemption for New Equity

Investment in new equity shares of industrial companies was exempt from payment of wealth-tax from 1965 till 1971 when this concession was withdrawn. The Budget reintroduces such exemption for new equity shares that are part of the initial issue of capital made by the company after February 28, 1975; but it confines the availability of this concession to equity shares of priority industries. Besides, unlike the concession available upto 1971, related to the date of commencement of *operations*, the proposed exemption becomes operative once the equity shares are *issued*. It will, therefore, make new issues attractive to the wealth-tax payers from the date of issue.

Exemption from wealth-tax of investment in new equity shares, since it operates as a deduction, will result in larger tax savings the higher the rate of wealth-tax. Depending upon the rate of wealth-tax between one per cent and eight per cent of wealth, this concession would be equivalent to a net after-(income)-tax return of one to eight per cent on wealth. If the alternative ways of holding wealth — *vis-a-vis* investment in tax-exempt new equity shares — still yield a positive return, then relative after-tax return on investment in new equity shares of priority companies and other investments will be determined by (i) the rate of wealth-tax, (ii) the marginal rate of income-tax, and (iii) the before-tax rate of return. Wealth-tax exemption will be less attractive, the higher the before-tax rate of return on other (than investment in new equity shares) alternatives and the lower the rate of wealth-tax and marginal rate of income-tax. Therefore, tax exemption would be of great value for the high-wealth and high-income taxpayers.

In order to increase the flow of risk capital to priority industries, it would have been far more effective, had the tax exemption been provided to income-tax payers for a part of their investment in *equity* shares of priority industries. In order to reduce the loss to the Exchequer, the extent of income-tax concession (or the extent of wealth-tax concession) could decline from the third year of acquisition (and holding) of new shares to the fifth. Income-tax related concessions would increase the after-tax return on income saved in the form of new equity shares in priority industries so long as the concession operates, and hence would cover a larger number of tax-payers than is possible through the wealth-tax concession. In the initial years, when such concession is substantial (as per the alternative of declining value of concession), it would encourage shift of savings in favour of such equity shares. In later years, say the third year onwards, the prospects of earning income (or actual income earning) will complement the incentive effect of tax concession and thereby encourage continued investment in equity shares of priority industries.

Tax Holiday and Exemption of Intercorporate Investment

While continuing the tax holiday provision for another five years (upto April 1, 1981), two changes have been made in the Budget proposals. First, the quantum of tax holiday profits has been raised from 6 per cent of capital employed to 7.5 per cent; and secondly, exemption in respect of dividends declared out of these profits is withdrawn. Withdrawal of this provision, according to the Budget, is on account of administrative difficulties. In the process, however, retention of profits is likely to receive encouragement.

As for intercorporate investment, as a result of the complete exemption of dividends from companies in certain priority industries, (registered after February 28, 1975) and depending upon the nature of the company (whether foreign or domestic, and in the latter category whether closely-held or widely-held) there will be tax rebate at a rate varying between 23.1 per cent and 27.3 per cent of intercorporate dividends.

It may be noted that, except for tax holiday, all the other major tax concessions — *viz*, initial depreciation allowance, wealth-tax concession in respect of new equity-shares, and exemption of intercorporate dividends — are made available only for priority industries. All these concessions, however, are designed to encourage investment and, hence, depending upon the gestation period, they will contribute to future growth in output. None of these incentives is designed to induce current output. Possibly because the Budget expects improvement in power, coal, etc, to contribute to additional output and it does not, therefore, consider it necessary to provide any output-related tax concessions. Viewed along with the fact that the expenditure provisions in the Budget are mainly in respect of the general and social services departments (except for financial assistance for productive investment which will contribute to future output), the expenditure and tax policies of the Budget are unlikely to provide any direct stimulus to current goods and (productive) services.

At the same time, enhancement in output is of crucial importance for maintaining price stability. For the realisation of investment outlays provided in the Budget, in addition to price stability, financial discipline of a very high order will be required on the part of the Central and the state governments. Thus, on the whole, although the Budget provides for a large step-up in Plan outlays, its implementation depends very much upon highly delicate economic and financial balances being maintained during 1975-76.

Tata Oil Mills

TATA Oil Mills proposes to make a 'rights' issue of convertible bonds of Rs 65 each by offering them for subscription to existing equity shareholders on a one-for-five basis. These bonds will bear interest at 10.5 per cent per annum, payable half-yearly, or such rate as may be approved by the Controller of Capital Issues. The bond-holders will have a conversion option at the end of 5 years to obtain from the company one equity share of Rs 25 each at Rs 40 per share and one non-convertible bond of the face value of Rs 25 each in exchange for each bond. These conversion terms would be adjusted appropriately in case the capital of the company is increased by any 'rights' or bonus issues made before the last date fixed for exercising the conversion option.

Social Environment and Management's Responsibilities

M N Srinivas

In view of the growing popularity of management studies and, perhaps even more, in the context of the economic and political crisis through which the country is passing, it is desirable that the content of, and limits to, management's responsibilities — management defined in the widest terms — are the subject of widespread discussion.

The role and the responsibility of management vary according to the cultural and political context in which management functions. The two features of Indian culture and society which are crucial in this context are hierarchy and the overall rural character of society. This paper picks out some of the expressions of these features which are germane to the discussion of management's responsibilities.

I

IN this brief essay, I use the term manager to include a much wider category of people than executives who have degrees or diplomas from management departments or institutes. I have included government officials, and in this connection, it should be remembered that the Central and state governments and the corporations and other bodies set up by them, are the biggest employers of managers at various levels, and in vastly diverse areas of activity, from manufacturing sophisticated technology to stimulating agricultural production and the maintenance of law and order. Then there are executives in private firms and factories who have not been inside a management department, the defence services which employ thousands of officers who have of necessity to assume the role of managers, and finally, hereditary firms which recruit their top personnel from among their relatives. However, I must qualify my remarks by stating that the cream of the administrative service, the IAS, has a one-year training course for its recruits, the defence services have a management institute of their own in Hyderabad, and finally, the more progressive hereditary (and other) firms have begun to get some of their men trained in management institutions. It is also a fact that management is becoming increasingly popular as administrative and management institutes are springing up in various parts of the country, and executives in the government and private firms are made to undergo short-term courses intended to equip them better for the tasks they have to carry out.

In view of the growing popularity of management studies, and perhaps even more, in the context of the grave economic and political crisis through which the country is passing, it is desirable that the content of, and limits to, management's responsibilities are the subject of widespread discussion.

As is generally known, the idea of the "social responsibility" of management is well developed in the West. Peter Drucker, for instance, makes it clear that management has a responsibility both to the enterprise of which it is an organ, and to the society of which the enterprise is an organ. Its actions have a decisive impact on the social scene. According to him, "Every enterprise has to consider whether its policies and actions promote the public good and advance basic beliefs of the society, contributing to its stability, strength and harmony" ("The Practice of Management", London, Heinemann, 1969, p 381). Again, "It is management's public responsibility to *make* whatever is genuinely in the public good *become* the enterprise's own self-interest" (p 384). Incidentally, Peter Drucker wrote in the period of innocence which preceded Watergate by eighteen years.

II

The coming into existence of management as a subject for study is the result of the industrial growth of the West during the last two hundred years or so. But the idea of the social responsibility of a wealthy member of the community, whether landowner or merchant, was there in India though the content of such responsibility was naturally rooted in the structure and values of traditional society. The feeding of poor people on certain occasions, the digging of ponds and wells, the building of temples and hospices, and supporting the learned, were some recognised responsibilities. Gandhiji's own concept of wealth as a trust to be used for the good of the society was in line with tradition, and it is but a short step from that to the idea of the social responsibility of management. Managers, in the sense I have used the term, are involved in decisions affecting investment of the community's resources, material and human, and the location of industries, and their advice is often sought in formulating and implementing policy, and it is therefore essential that a sense of social responsibility should be an organic part of their thinking. How far their present training enables them to be socially responsible, is a question which I am not competent to discuss.

It should be obvious that the role and responsibility of management varies according to the cultural and political context in which managers function. Thus, in Western countries, industries developed under a *laissez faire* ideology, limited franchise, the availability of colonial resources and markets, and the absence of humane labour laws. Government control over industry came only after an industrial-capitalist structure had been firmly established.

There could be no greater contrast between the situation just described and that obtaining in India. Here the government takes all decisions about development including the size and location of industries, the building of dams and canals, investment in agriculture, etc, while the resources for development come from public revenues. The government decides the areas to be set aside for private enterprise, and any private industry or business is liable to be nationalised if the political demand for it is strong enough. Even in the areas set apart for private enterprise, there is a complicated system of permits and licences as everyone is aware.

The political framework for our development is provided by a federal system of government, and parliamentary democracy based on adult franchise. And as is only too well known, we have a huge population numbering about 600 million, of whom only 300 per cent are literate. 70 per cent of the population lives in India's 5,60,000 villages, the lives of the villagers being lived largely according to traditional custom and belief, though significantly less so than in the pre-Independence years. Steep inequalities, and the exploitation of the poor and lower castes characterise the social structure but as political awareness spreads to the latter categories the demand for equality is certain to become militant.

I have highlighted the contrast between developed Western countries and India to make two points, the first being that the content of management's responsibilities will vary according to the encompassing social environment, and the second being that management practice, if not principles, must be integrally related to the local environment if it is to be of any use. However, this problem is not peculiar to management, but is present in all transfer of knowledge and technology from the West to India. For knowledge and technology are closely related to the culture from which they emerge, and to prise them out of their native setting, and transplant them in alien soil is a task of the first magnitude. Many of our major problems are the result of the failure to successfully transplant Western knowledge and technology.

III

I shall now turn to the social environment which, incidentally, is too vast and complex a subject to be discussed in a brief article. I shall therefore concentrate on two crucial elements of it which influence the behaviour of people in their relations with each other and which also lie at the back of some important values, attitudes and beliefs.

But before I do that, I would like to mention that there exist several time-honoured myths, beliefs, cliches and half-truths which make out, in various ways, that India's traditional culture and institutions are incompatible with development and modernisation. Many members of the Westernised elite think that traditional culture and institutions are to be jettisoned except perhaps for those elements which, either as they are, or as more likely, suitably altered by clever men and women, attract rich tourists from abroad. Traditional culture, suitably altered and dressed up, can earn scarce foreign exchange which can be used for development.

The view that India's traditional culture — or important elements of it, — is not conducive to development has been expressed, in one form or another, by Western scholars and observers from Max Weber onwards, and this view has been readily appropriated as their own, by many educated Indians. This tendency of educated Indians to rely on formulas produced in the West to understand their own society provides one more illustration of the fact that attitudes which came into existence during the colonial period die hard.

Educated Indians do not bother to ask whether anti-modernisation attitudes did not exist in Europe before the onset of the Industrial Revolution, and whether European countries do not continue to retain traditions whose rationality or economic profitability is dubious. In England, the home of the Industrial Revolution, business activity, sport and entertainment were not permitted on Sunday till the beginning of World War II. Again, Japan, whose fantastic development during the last 25 years has astonished the world, has not found it necessary to make a clean break with her cultural and social past. According to the well known Japanese anthropologist Chie Nakane, "It is in informal systems rather than in overt cultural elements that persistent factors are to be found. *The informal system, the driving force of Japanese activities, is a native Japanese brew, stepped in a unique characteristic of Japanese culture.* In the course of modernisation Japan imported many Western cultural elements, but these were and are always partial and segmentary and are never in the form of an operating system. It is like a language with its basic indigenous structure or grammar which has accumulated a heavy overlay of borrowed vocabulary; *while the outlook of Japanese society has suffered drastic change over the past hundred years, the basic social grammar has* hardly been affected. Here is an example of industrialisation and the importation of Western culture not effecting basic changes in the cultural structure" ("Japanese Society", Weidenfeld and Nicholson, London, 1970, p 149. Italics mine.)

That pursuing the path of economic development does not necessarily involve the jettisoning of traditional ideas and institutions is seen in other countries also including India. In fact, traditional institutions frequently adapt themselves to new situations and opportunities, and while the form remains the same, at least superficially, the content changes. A classic instance of such adaptation to modern political and economic forces is seen in caste. When such adaptation occurs the institution in question performs some old as well as new functions. Thus a person not only finds a spouse from his caste group but uses caste links to get elected to a panchayat samiti, to obtain a job in a firm or the government, or a permit to start a bus service.

The precise mechanisms by which upper caste Hindus in Madras managed combine an orthodox life-style with modern entrepreneurial activity have been identified by Milton Singer in his book, "When a Great Tradition Modernizes" (Praeger, New York, 1973). Singer found his entrepreneurs viewing their entrepreneurial activity as their contribution to the public good: they were creating wealth, giving employment to many people, and bringing in facilities such as schools, hospitals, etc, to areas which were in need of them. A few of them sent their sons or gandsons to engineering and technological institutions in India and outside to make sure that their enterprises would have the benefit of the latest knowledge. A few of them quoted the Bhagavad Gita to make the point that entrepreneurial activity was their offering to God. In this connection, it would be instructive to look at the annual reports and house journals of firms and analyse their contents. They include not only information of interest to shareholders and employees but describe the visit of ministers and holy men to the firm, and the rituals performed on important occasions in the life of the founder and his offsprings.

IV

Two features of Indian culture and society which seem to be crucial are hierarchy, and its overall rural character. Space does not permit me to describe the myriad expressions of each of these features, and I must rest content with picking out a few which are germane to my theme.

Indians live in a hierarchical universe: it is not only human beings who are arranged into higher and lower groups and categories, but everything associated with them, diet, clothing, house styles, speech, manners, morals and occupation. The symbolic expressions of hierarchical differences are elaborately developed as the literature on caste amply demonstrates.

In the first place, hierarchical differences are based on differential rights in land, the ownership of arable land being a source of wealth, power, status and mobility. In traditional society, the landowners came from the high castes (including the dominant, peasant castes) while the landless labourers came from among Harijans or others slightly above. Traditionally, land was not sold to the lower castes as that would have upset the power and status structure.

The labouring, artisan and servicing castes are economically and socially dependent on the landowning castes and this was symbolised by the customary, annual payment in grain to the former. Arable land was the monoply of the high castes, and even among the latter, a few individuals owned sizeable quantities of it, relatively speaking, and this enabled them to wield power over the labouring, artisan and servicing castes. A complex code backed by religious sanctions underlay the social structure.

The idea of hierarchy is articulated in the caste system, and the idea that caste is too rigid to permit the mobility of individuals and groups, is no longer held by sociologists. Thus, a group which had by some means acquired land, or come under the influence of an egalitarian sect, could over a period of time claim a higher caste status, provided that certain other factors were favourable. On the other hand, high-ranking castes which had neither land nor other forms of wealth, had low secular status which made them dependent on the landowning lower castes.

At this point it might be asked whether we do not have in this country, a parliamentary democracy based on adult franchise, and a Constitution which declares that its aim is to achieve a casteless and classless society. While we are a democracy, and have taken some steps towards reducing inequalities, we are very far indeed from being an egalitarian society. New opportunities have indeed been created for those belonging to the weaker sections of the society but as against it, the effects of development programmes have been such as to add to the wealth and power of the rich, and sharpen economic inequalities.

Indian villagers live in a hierarchical universe, the twin hierarchy, of caste and land. Hierarchical attitudes and values are forged from the earliest years, and villagers who migrate to urban areas for employment in firm, factory and government cannot be expected to shake these off the moment they secure urban, salaried jobs. In this context, I may mention that one of my students who is studying trade unions in a large city like Bangalore found the Harijan employees of a large, modern public sector factory living segregated in a separate colony on the factory's premises.

Large numbers of those living in towns and cities keep contact with those inhabiting villages and they are at least semi-rural. Besides, caste links are also relevant for economic and political purposes and for education. Many caste organisations have their headquarters in urban areas and they undertake a variety of welfare and reform activities for their members. They also act, on occasion, as political pressure groups. In brief, in urban areas, while pollution is weakening, the economic and political role of caste is strengthening.

The second characteristic of our social environment which I have already referred to, is its predominant rurality. To repeat: it is not only that a large majority of them inhabit villages but many of those living in cities have a life-style that is only partially urban. This is the human material that leaders and decision-makers in every walk of life have to reckon with.

One of the expressions of such rurality is attachment to arable land. Before the land reforms of the fifties, in many parts of the country, it was usual for even the urban, high castes to own a little land in the country. Those who owned land were very attached to it, and when the owners happened to be officials, they could not expect to be particularly enthusiastic about the implemenation of land reforms. Further, landownership went with a particular life-style of which conservatism was a strong characteristic. It was the land reforms of the fifties that cut the umbilical cord between the urban high castes and villages. But such reverence did *not* occur in the case of the dominant peasant castes. Of this later.

Another effect of rurality is localism or regionalism, though it is not its only source. When a worker or white collar employee, gets a job in town he frequently becomes a source of employment for his relatives, castefolk, and other local people. This has happened in most if not all parts of India, and it has often resulted in the members of a particular caste or inhabitants of a region obtaining a near-monopology of certain jobs or categories of jobs in factories and firms. Sometimes, in the same factory, one finds the members of a particular linguistic or caste group monopolising a workshop, or a particular job-category.

The above form of localism is nowadays coming into conflict with another form, based on membership of a region, which may or may not be synonymous with a linguistic area. When the local men, "the sons of the soil" as it is fashionable to call them, discover that jobs in industries are taken by people from other linguistic regions (or, as in Telengana, by members from other parts of Andhra Pradesh), the potential for conflict is there. The "sons of the soil" movement is a national phenomenon though it is more visible and virulent in some places than in others. Inter-linguistic and inter-ethnic conflicts are likely to be endemic in the big, "cosmopolitan" cities, and in areas where new townships have been created around a vital industry such as steel, fertilisers and machine tools. The more backward the region in which the industry is located, the more acute is the conflict likely to be, as skilled labour and technicians will be outsiders.

Mere denunciation of the "sons of the soil" movement as chauvinistic and anti-national serves no purpose if it is not actually harmful. A policy of preference to local people in job-categories which do not require much skill combined with the provisions of training facilities to them, is essential to counter the movement in the interests of industrial peace and political stability. The government as well as entrepreneurs must realise that a factory can only function well when it has the goodwill of the local people. Otherwise, it becomes a means for the accentuation of inter-sectional and inter-regional conflict.

In cities such as Bombay, Calcutta

and Ahmedabad, industrialisation goes back to a century or more, but elsewhere industrial workers and white collar employees, are largely first- or second-generation migrants from villages or small towns. The attitudes of these men to work, time, responsibility, and leisure, are derived from a pre-industrial and kin-centred social environment. Kin obligations in particular determine the degree of their regularity and the quality of their work. (They are not the only factors though.) Such obligations are not confined to those who live in what are called "joint families". They exist in the case of the poorest workers living in so-called "nuclear" ones. The force of kin obligations is partly derived from tradition, and partly from the fact that the kinship system represents a man's insurance policy, his nest of security in an alien world. It does not make sense to ask him to surrender this when the employer has failed to provide alternative sources of welfare and security.

The ownership of agricultural land even in small quantities inhibits the worker's commitment to his work. Scarlett Epstein has proposed ("South India, Yesterday, Today and Tomorrow", Macmillan, London, 1973) that landless labourers be given some preference in industrial employment in order to ensure the worker's fuller commitment to his work. This suggestion has much to commend it even from the rural end.

As I have said earlier, there is much overlap between landless labourers and Harijans in several parts of the country, and landowners generally hailing from the dominant and other high castes, exploit the poverty and low social position of the labourers. The economic and social betterment of the latter runs counter to the interests of the landowners. Further, several scholars have argued that the benefits of the green revolution (and other development programmes) have gone mostly to the bigger landowners while the position of the others, especially the labourers, has deteriorated. (This is an empirical issue, and careful, local surveys are needed to establish its validity for each region.)

Preference in industrial employment will benefit those landless labourers who are left behind in villages. Landowners will have to pay more for the labour of those available. Carrying this argument further, I would advocate the taking of industries to small towns which will then act as magnets attracting landless labourers and other rural poor. I would not hesitate to recommend, wherever possible, craft and agricultural co-operatives for landless labourers and Harijans exclusively. Objections may be raised to these measures on the ground of lack of resources. But poverty and the exploitation of large numbers of people, apart from being intrinsically wrong, are politically explosive. Steps to secure economic justice have to be regarded as part of the cost of development and not as a frittering away of resources.

The emergence of dominant peasant castes as a major political and economic force is a feature of the last thirty years or so, and I wonder why this has not been more widely recognised by the so-called "intellectuals". Perhaps their allergy to caste in any form, and their apprehension that its mention might result in their being tagged "reactionary", is a factor, and this explains their resort to such circumlocutory terms as "kulaks" and "kulak lobby". (They may also be unfamiliar with rural India.) Second, though politicians and journalists are aware of the power and influence wielded by the dominant castes, discussing it freely and in public might have unpleasant consequences for those who do so. This is specially likely at the state and lower levels. It is only during elections that the lid comes off, and caste considerations are freely mentioned as factors in allotting tickets to candidates, in voting, and in the formation of ministries. All parties practise this, whatever their ideology and rhetoric.

Dominant castes are now recognised as a widespread phenomenon, though they are more visible, wealthy and powerful in some parts of the country than in others. Wherever they are found, they enjoy high status, are numerically strong, and own a large share of the locally available land. A caste's dominance may vary from a few villages to a few districts, and in rare cases, to several adjoining districts in two or three states. Since arable land is scarce, its ownership becomes a source of power over tenants, labourers, and the members of the artisan and servicing castes. Those who displease the landowners can be punished economically and in other ways too. The continued enjoyment of power and prestige by the dominant castes has produced a psychology of compliance and dependence on the part of the others, in particular the landless labourers and Harijans.

Each dominant caste landowner is a patron who commands the loyalty of a number of poorer men both from his own caste, and from the artisan, servicing and labouring castes. A big village has more than one patron, and the patrons are in a relationship of rivalry if not conflict. Factionalism is an integral part of rural social life, and where it is very deep, officials get drawn into it and this adversely affects their work. Officials prefer villages dominated by a single leader as he can get things done which means that targets are achieved. In the process, considerations of social justice fall by the wayside.

Long ago, I described landowners from the dominant castes as "vote banks" for politicians at elections, a fact which has put them in a position of strength *vis-a-vis* vote-seekers. In return for the help rendered during elections, they are able to secure permits and licences for their entrepreneurial activities, seats in educational institutions and jobs in the administration. The dominant caste lobby is a powerful one in several states, and this is one of the reasons why land reforms are indifferently implemented, and the procurement of foodgrains is low.

As stated earlier, development programmes have benefited the dominant caste leaders substantially as only they had the necessary political links and the material sources. New institutions such as panchayati raj and co-operatives have also added to their wealth and power.

Educated members of the dominant castes are now in the professions, and in trade, commerce and industry. Kin and affinal links exist between those living in urban and rural areas, and this again means that leaders of the dominant castes are able to articulate links in various areas of public life, when necessary.

Landowners from the dominant castes are not likely to become converts to socialism. They benefit from the power they have over their dependents and inferiors, and they resent any attempt by anyone to improve their economic position, or make it possible for them to go to schools. But while they want those below them, and in particular, the Harijans, to remain where they are in the hierarchy, they themselves bitterly resent claims to superiority by those ritually higher. (This is, in a

sense, true of every caste.) The situation may be summarised by saying, "I am equal to those who claim to be superior to me but I shall certainly not let my inferiors claim equality with me". It looks as though the burden of protecting the traditional hierarchy has shifted from the Brahmins and Kshatriyas to the dominant peasant castes in the same way that support to Hinduism has already shifted.

A major phenomenon of Independent India is politicisation. I use the term in two senses, one, a narrow one to refer to the process by which groups became aware of their rights as citizens and of the opportunities for improvement, economic and social, through collective action. The second sense is wider, to refer to the predominance of political forces in our social and economic life. Quite apart from the benefits that can accrue through the capture of power, there is a general tendency to seek approval if not legitimation from political authority for excellence in all fields. Ministers are invited to preside over all manner of functions, from purely scientific or technical discussions to religious functions where sanyasins or other religious figures are present.

Politicisation is important as sharpened awareness on the part of people of their rights affects inter-personal and inter-group relations everywhere including firms, factories and farms. Further, when workers (or others) get organised in unions, their behaviour as individuals becomes less autonomous. A man may be disciplined, hardworking and courteous as a worker but when his union declares a strike his behaviour may undergo radical change. Employees have to be handled with far greater finesse when they are unionised. Unionism brings about a radical change in the worker's world-view: they have to move from a system in which the employer was surrogate father and mother to another in which the union is the protector. This is perhaps more true of the smaller industries. Several years ago an angry entrepreneur in Okhla told a student of mine, "I was treating my workers as my children but from now on I shall look upon them as employees."

Politicisation in the narrow sense has been, generally speaking, a layered phenomenon, beginning with the urban, educated members of the higner castes and other groups, and then gradually reaching the dominant peasant castes before percolating to the Scheduled Castes and Scheduled Tribes. With the increasing politicisation of the Scheduled Caste and labouring classes, clashes between them and the dominant castes are likely to become more and more frequent. These are likely to result in the beating up of the Harijans and labourers, and their economic and social boycott.

Another manifestation of politicisation is seen in the popularity of agitational politics. There is a battery of words, *bandh, gherao, morcha, dharna,* and strike, which are so common that one cannot open the day's newspaper without coming across them. Students and workers are particularly prone to agitational politics but it is not fair to blame them alone for they enjoy the support of political parties. The latter condemn agitational politics only when they are at the receiving end.

At this moment, it appears as though agitations are likely to get even more violent. There are organisations both at the national and state levels which resort to violence, and the Naxalite movement, and the populist movements in Gujarat and Bihar as well as the steps taken by those opposed to them, have had the effect of getting the people accustomed to collective violence. For instance, when there is student unrest, the public expect buses to be "hijacked" and burnt.

With political parties increasingly resorting to violence, "goondas" have found their way into politics, and the great cost of elections has inducted smugglers and blackmarketeers, and their touts and agents, into our political and social life. In the context of rising prices, growing unemployment, and an annual rise of fifteen million people to our population, he must be a brave social scientist who ventures to make a hopeful forecast about the future.

I hope that my somewhat oversimplified account of the social environment makes it clear that the political, economic and social forces active in the country are of a fundamental nature. The situation calls for firm decisions in the national interest, and it goes without saying that this is the responsibility and duty of the elected leaders, in particular, the leaders of the ruling party. The role of the managers is only subsidiary.

Tri-Sure India

TRI-SURE INDIA's public issue, being made to dilute the foreign shareholding to 49 per cent, offers a good opportunity to investors desirous of acquiring interest in a company with a good past record of performance and substantial scope for growth in the future. This wholly-owned subsidiary of the well-known American Flange and Manufacturing of USA has been making at its factory at Mahul, near Bombay, closure parts for industrial containers, including flanges, plugs and capseals, which are applied to steel drums for transportation of petroleum products, chemicals, paints, vegetable oils and other liquid products. The company has been exporting about 30 per cent of its production. During the past three years ended August 1974, its turnover expanded by 172 per cent to Rs 185 lakhs and after-tax profits nearly quadrupled to Rs 20 lakhs. The current year's turnover target is Rs 250 lakhs. Sales during the first six months have been Rs 89 lakhs. Richard L Parish, chairman, feels that profits should also rise "more or less proportionately". What is more, the company intends to recommend a gift of shares, possibly on a one-for-one basis, after the public issue is completed. It hasn't made any gift throughout its 15-year career. As at the end of 1973-74, it had reserves to the tune of Rs 62 lakhs against a share capital of Rs 25 lakhs. The future of the company is promising since a new factory is proposed to be set up at Bangalore and the management has also plans for diversification. In order to enable small investors to take advantage of the offer, only Rs 6.50 per share (which includes Rs 4 per share on premium account) is made payable on application and the balance will be called up on allotment and subsequent calls. The subscription list will open on April 2 and close on April 11 or earlier, but not earlier than April 5.

Chairman's Statement:

H. T. PAREKH
ICICI Chairman
sees favourable pointers concerning India's investment and trade.

- Rising capital investment in agriculture
- Short-term measures will not revive the economy
- Suggestions to improve growth rate
- Corporate operations

Developments in 1974

IN a sense, the year 1974 opened auspiciously in that the kharif crop for 1973 was good. Government, for a while, experimented with a policy of takeover of wholesale trade in foodgrains, but had to give it up. Procurement during the year was low, but from the point of view of the economy, this was not a disaster since what was not procured by the Government still remained with the farmers (provided consumption had not increased, as there is evidence to believe), adding to the stocks in the economy.

In other spheres of the economy, developments were not particularly encouraging. The Fifth Five-Year Plan began in April 1974, but it was overtaken by inflation and high oil prices, so that it was still-born. In fact, the first year's outlay in the Government sector was nowhere near the required scale to achieve the Five-Year Plan target. Investment in the private sector, though showing some increase at current prices, has apparently been stagnating in real terms because of lack of incentives and a clear Government policy on the direction of investment. Industrial production in 1974, according to available indicators, registered a growth of only 3 per cent over the previous year. The economy continued to face power shortages which have had an adverse impact on both agricultural and industrial output. Railways continue to suffer losses owing to the failure of traffic to rise at the planned rate, but perhaps much more because of railways' own internal difficulties.

Credit squeeze, which has been applied in the organised banking sector since the last quarter of 1973, also hindered production to some extent in the absence of proper machinery to ensure regular flow of funds to the producing units. As a result of the squeeze, call money and bank lending rates reached levels which were unprecedented in the history of organised banking in this country. Nevertheless, inflation continued at the average rate of 2 per cent per month during the major part of 1974. Certain other measures were also taken to curb inflation, but it remains to be seen whether they have, in any significant way, served the main objective of bringing down prices in the long run. One of the immediate adverse consequences of these measures has been their dampening effect on the capital market, especially on the new issues activity, which had provided important support to the investment climate during the first half of 1974.

The economic difficulties of India in 1974 do not, however, warrant any undue pessimism. While the country was, in some ways, overwhelmed during most of 1974 by the problems of shortage of essential commodities, inflation and consequent resources shortfalls, hopeful signs were not wanting as the year drew to a close. There have been some welcome signs of price stabilisation during the last quarter of 1974. While no dramatic changes are expected in the power position in the immediate future, there are indications of better and more efficient management of available supply. Though there was a setback to the 1974 kharif production due to inadequate rains, the country should be gathering a good *rabi* harvest in the coming months.

It is also necessary that we take note of certain new and favourable pointers concerning India's trade and investment. With the large increase in income from oil, the neighbouring economies of the Arab countries, Iran and Indonesia are bursting into activity. My visit during the year to two of these countries, namely Indonesia and Kuwait, gave me a first hand impression of the changes that are taking place in their economies and the opportunities that lie ahead for India. I am happy to note that our Government has had fruitful dialogues with countries like Iran, Iraq, United Arab Emirates, etc, which open up promising prospects for mutually beneficial economic collaboration. Nearer home, in the Indian subcontinent itself, conditions of stability are emerging for the first time after Independence, and the current year will see resumption of trade with Pakistan.

Indian enterprise, it is gratifying to note, has also been active abroad, seeking manufacturing and contracting opportunities in the neighbouring countries, reflecting its new-found confidence in its managerial and technical abilities. It is a good sign that India's exports of manufactured, particularly of non-traditional, items have expanded fairly rapidly in recent years. With the substantially expanded opportunities for mutual trade between India and its neighbours in sight, further stimulus to India's industrial exports, and expansion of investment over a diverse range of complementary activities are now a distinct possibility.

Apart from these hopeful indicators, I would also mention, on the credit side, the pragmatic reshaping of economic policies of the Government. This is beginning to be seen in the recent months. Less reliance is being placed on price controls and there is a clearer stress on production growth.

Rising Capital Investment in Agriculture

However, the presence of these favourable indicators does not by itself constitute a policy for investment growth. As has been happening for almost a decade now, the over-riding consideration governing the investment levels has been financial stringency. Confronted with resources constraints, caused mainly by inability to control non-developmental expenditure, Government has slowed down investment in the public sector, infrastructure development and much needed expenditure on social services. This has retarded, in no small measure, the overall growth of the economy. Resource constraints have also come in the way of full-hearted implementation of regional development policy, despite certain commendable beginnings in this direction.

In this context, notice should be taken of increasing use of capital resources by the agricultural sector. The rising long-term trend in agricultural output, it has to be realised, has come about not so much by changes in organisational or tenurial reforms, as by increasing inputs into agriculture. Thus agriculture has become a capital-intensive activity, using more fixed capital in the form of irrigation projects, wells and pumps, many of them based on scarce power resources, and working capital inputs in the form of fertilisers and pesticides. While it is true that a large part of investment at the farm stage is through direct financing by the farmers, it is also true that there has been an increase in bank finance to agriculture. Perhaps, the shortage of capital which the rest of the economy has been facing is partly due to the fact that agriculture now absorbs a larger amount of public capital than it had in the earlier years. Likewise, the shortage of power, which we notice presently, is, in part, attributable to absorption by agriculture of a fairly large part of power output.

Despite an apparent conflict between the claims of the agricultural and the industrial sectors, it is, in my view, one good augury in the present situation that investment in agriculture is being maintained at a reasonable pace, thanks to considerable generation of incomes and plough back of savings in this sector. We should keep up the tempo of investment in agriculture, and bank finance should continue to flow in adequate measure to this sector. If growth is to be achieved and the position of those below the poverty line is to be improved, agriculture must receive the first attention of Government. In fact, if, during the last three years of the Fourth Plan, foodgrain output had been achieved at the rate targeted in the Fourth Plan, Government would have had 25 per cent more foodgrain output (or almost 75 million tonnes more of foodgrains over 3 years) which would have solved all our problems of inflation, of constraint of resources and of abysmal poverty.

Given the high growth rate in population, the country, which doubled the foodgrain production during the last 25 years — from around 50 million tonnes in 1950-51 to over 100 million tonnes at present — should plan for accelerated efforts in this direction and aim at a further doubling of food production during the next 15 years. The pace should really be set now; to make up for the shortfall during the previous Plan, the rate of growth for food production during the Fifth Plan should be around 6 per cent instead of 4.2 per cent proposed in the original Fifth Plan document.

Short-Term Measures Will Not Revive The Economy

It is in finding an answer to the problems of resource constraints, towards maintaining a steady upward momentum of investment in the industrial sector, particularly in ensuring achievement of our targets in the priority areas, that we need to do some fresh thinking.

Unfortunately, measures taken by Government show that it is overwhelmed by short-term problems and is not able to devote its attention to the more long-term problems of growth of the economy. Inflation, no doubt, is a major problem at present, but curbing inflation at the cost of investment growth causes a still greater problem of foregone production. Some of the measures taken by Government have deterred, instead of promoting investment and influenced adversely incentives to save and invest in the capital market. As an example, I would mention the restriction on dividends which was brought in (evidently as a measure balancing the compulsory deposit of wages and dearness allowance payable to labour) by Government mainly to contain inflationary forces; it has resulted, not altogether unexpectedly, in companies not being able to raise fresh capital on the market. This has, as is well known, hurt the Unit Trust also requiring special corrective action by Government early in January this year.

I am suggesting a course of action which may sound inconsistent and heterodox in relation to the present thinking, but as Pandit Nehru used to say, it is dangerous not to take risks in a difficult situation, and we are in this position today. Inflation cannot be brought down instantly. It would be much more mature to plan to bring down slowly the rate of inflation. It is within such an immediate framework alone that a policy of growth can be established.

Suggestions to Improve Growth Rate

My first suggestion here is that we must find a solution to the problem of high costs of projects and the shortage of resources to implement them. Apart from the remorseless effects of inflation, changes in the project scales have also contributed to high project costs. In my view, the answer to this problem lies in a pragmatic scaling down of the size of some of these projects or their phased implementation, as the alternative is often that the projects may not be taken up at all or delayed even at the start.

Secondly, the country should assiduously cultivate trading and investment connections abroad, particularly with some of our capital rich neighbours, to minimise the initial burdens on the country's resources and endeavour to off-load the capital and power intensive activities to some of the capital and fuel rich countries. Fertiliser manufacture, where urea and ammonia can be conveniently divided between India and its neighbours, is a case in point. It does not preclude India from later putting up the integrated facilities within the country.

Thirdly, a large amount of capital is locked up in projects which take a long time to complete. This represents a waste of resources, in the sense that projects go into production much later than they should have, and in the meanwhile the economy loses output or has to use scarce foreign exchange to maintain the supply of the product. It is desirable that Government lay down, both for the public sector and for the private sector, fairly specific time-limits for completing projects and provide them with all resources needed to complete the projects.

Finally, I believe the situation of high cost of today's projects and the handicaps these new projects face in relation to older enterprises in the respective sectors, call for an enlargement of the present package of investment incentives. The need is all the more urgent in view of my earlier suggestion that we consider a phased implementation of projects, notwithstanding considerations of scale. I, therefore, suggest that Government seriously consider re-introduction of development rebate for a period of five years or so, at least in respect of priority industries. When that withdrawal of this incentive in the 1973 budget was announced, no one had foreseen such a steep increase in the cost of capital investment.

I am also inclined to suggest revival of two other incentive schemes, both of which have a bearing on promotion of new industrial investment. One of these is tax credit in respect of investments in the equity shares of new companies. This will, to some extent, contribute to a revival of interest in new capital issues. In order to enable a new unit to compete with established units, and to attract promotional and general investment interest in new projects, suitable excise duty rebates will also have to be considered. To have

the desired impact on the supply of risk capital, it is only proper that we provide facilities by way of lower excise duties, to new industrial units during the first five years of production.

Apart from excise duty rebates specifically directed to new units. Government may also consider a general reduction in excise duties on selected items with a view to stimulating demand, and thereby industrial production and investment. In my opinion excise duties and other indirect taxes, levied at several stages, already constitute a significant component of the final product prices. I would suggest that Government review the entire structure of excise duties and suitably reduce their rates, so as to provide some relief to consumers from the present high prices and to promote an adequate market growth of the industries concerned.

I am aware of the resource stringency faced by Government. The measures suggested here contain a built-in potential for larger revenues in the long run through larger investment and production. If, however, there is any apprehension of revenue loss, I see several avenues for recouping the resources.

To mention just one of these: I feel that Government must give up the principle of subsidising any individual sector in the economy. If subsidies have to be given, it should be done only through cross-subsidising within an activity, so that there is no need to use net Government resources on that activity. For example, at present, Government provides a subsidy of about Rs 225 crores per year for food distribution. While the need to protect the under-privileged remains and, therefore, the need to provide foodgrains to them at low prices is urgent, it is desirable that the revenue lost through subsidising this sector is made up by Government selling foodgrains at higher prices to people whose incomes exceed Rs 1,000 per month.

Controlling growth in public expenditure, collection of tax arrears, improving the performance of public sector undertakings are other well known avenues for raising additional resources. These should be fully explored for ensuring sustained investment in the economy.

If the rate of growth is raised by these measures, the economy will be able to generate surpluses which can be used not only for accelerating the rate of growth further but also for improving the lot of the very poor. The demands on a poor economy like India's are multifarious. In a sense, it is an economic problem to allocate limited resources among diverse ends. But it also becomes, in India's context, a social and political problem. It requires wisdom on the part of our policy-makers to ensure that they face up to the challenges before this country. I do hope that, in revising the Fifth Plan, the planners and Government will give the above considerations due weight.

Corporate Operations

Coming to the operations of the Corporation, the demand for foreign currency funds was well maintained during the year and the Tenth Line of Credit from the World Bank is being drawn upon. Negotiations for a new line of credit from the World Bank are already under way and are likely to be concluded in the near future.

During the year under review, ICICI obtained the Thirteenth Line of Credit of DM 5 million from the Kreditanstalt fur Wiederaufbau. Negotiations are nearing completion for another line of credit of DM 7 million. The Fifth sterling loan of £ 1 million from the UK Government was also received through the Government of India. The Industrial Development Bank of India provided the counter-part funds against the Fifth UK loan. I would like to thank the World Bank, the KfW, the UK Government and the IDBI for the continued confidence they have shown in this Corporation. I also thank the Government of India for providing the required guarantees.

Due to worldwide inflation and uncertain and fluctuating market conditions prevailing throughout the year, circumstances were not favourable for fresh borrowing in the Euro-currency market. Avenues of raising additional foreign currency resources are, however, receiving our attention on a continuing basis.

In regard to rupee resources, we have called up the balance share capital of Rs 2.50 crores out of the Third rights issue of Rs 5 crores. ICICI made its Fifth debenture issue for Rs 9 crores in June 1974; this issue, which like all previous issues was oversubscribed, is the largest single issue so far. Our thanks are due to the institutions, banks and individuals who helped us to make the issue a success. In early 1975, we propose to raise Rs 5 crores by way of debentures to finance our rupee operations.

Operations

Net sanctions made by the Corporation during 1974 amounted to Rs 62.72 crores (against Rs 59.27 crores in 1973). Of these, an amount of Rs 51.71 crores was in respect of 120 specific projects. The total cost of these projects, when completed, is estimated at Rs 534 crores (including Rs 153 crores for working capital requirements). This cost is proposed to be met by Rs 79 crores share capital (Rs 73 crores ordinary and Rs 6 crores preference), Rs 217 crores long-term loans and debentures Rs 11 crores deferred payments and Rs 227 crores cash accruals bank borrowings, unsecured deposits etc. The total turnover of these projects, in a year of normal production, is estimated to amount to Rs 459 crores.

Other Activities

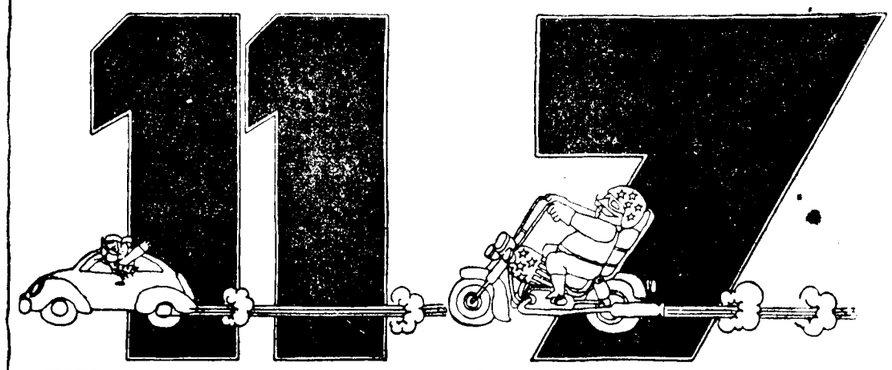
Among Corporation's other activities, I should touch upon two new areas of interest which received our attention in 1974. For nearly two decades ICICI had been engaged in the financing of industrial projects and their successful completion but little was known about the socio-economic impact of these projects on the life style of the people immediately affected by them. As part of our continuing interest in these problems the Corporation has brought out a publication containing a study of the impact of the Gujarat State Fertilizers Company on a predominantly agricultural, traditional community.

Another area of activity in which this Corporation took some interest during the year was the promotion of rural development. The Corporation agreed to support a scheme for setting up lift irrigation schemes and allied activities in rural areas in Osmanabad district, Maharashtra. Under the proposal, ICICI will provide a small grant initially, and other financing, not exceeding Rs 5 lakhs in all, to a Land Institute set up for this purpose.

In addition to the North Eastern Industrial and Technical Consultancy Organisation (NEITCO), in the setting up of which we were associated, ICICI support has already been extended to the formation of a new consultancy organisation in Bihar — The Bihar Industrial and Technical Consultancy Organisation (BITCO). Two other organisations in formation, which will receive ICICI support are: one in Uttar Pradesh and another for the States of Andhra Pradesh and Orissa.

Finally, I would like to mention that this Corporation has continued to receive devoted service from its staff; I take this opportunity to express my sincere thanks to them.

We've got all our flights going for you!

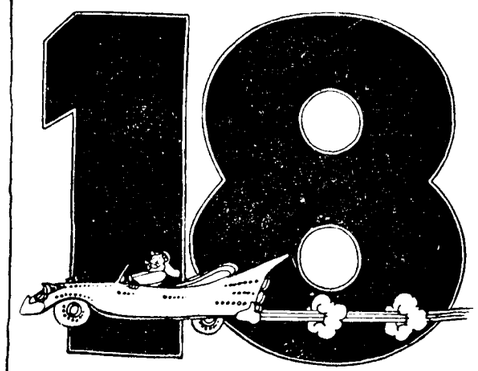


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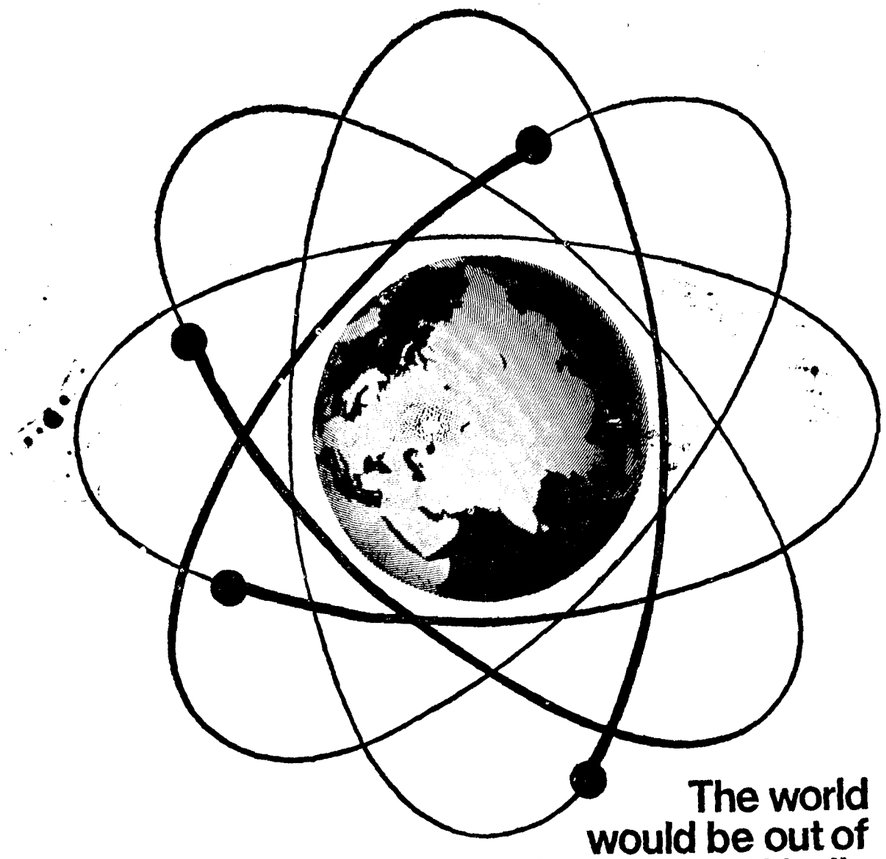
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The world would be out of its element if India had not generated atomic thought

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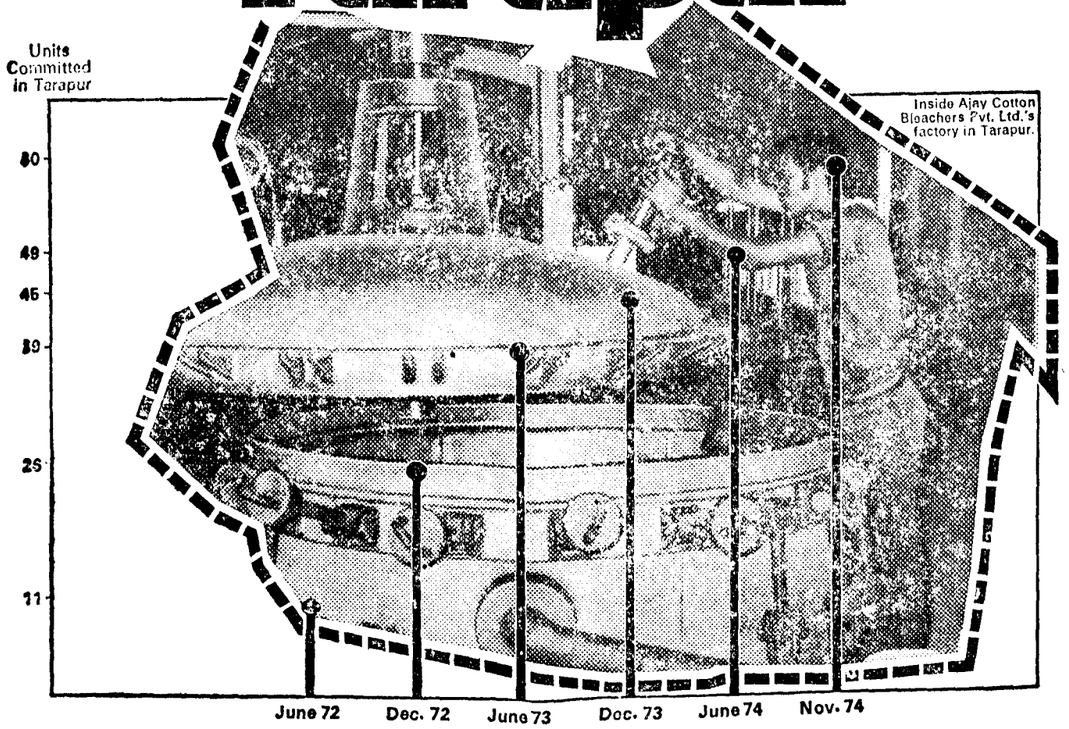
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Tarapur



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ECONOMIC AND POLITICAL WEEKLY

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. Price Bubble

THE government has made much of the trends in wholesale prices in the last four months. To those who point out that the decline in prices is of a seasonal character, the stock official reply is that such a seasonal decline has not been noticed in the recent past. The government would like it to be believed that the downward trend in wholesale prices is a definite indication of the weakening of the underlying inflationary forces. And, further, that inflationary expectations too have suffered a serious setback — so that expectations that were adding fuel to the fire of an underlying situation of imbalance between demand and supply would henceforth work, to some extent, in the direction of bringing down prices rather than pushing them up.

The official optimism about prices, however, finds very little basis in output trends in the economy. According to the latest Economic Survey, the index of agricultural production in 1974-75 is unlikely to record any increase. The output of rice in the 1974 kharif season is estimated to have been lower by 1.7 million tonnes. The government is, of course, expecting that the next rabi crop will be a bumper one. But even if it is, the overall level of food production is unlikely to cross the 1973-74 level. And the output of commercial crops is certainly going to be lower than last year. Production of oilseeds particularly, at around 7 million tonnes, is substantially below last year's level.

Food articles, which account for 41 per cent of the total weight in the wholesale price index, have registered a decline in prices of 5.1 per cent between the end of September 1974 and February 15, 1975. Industrial raw materials, which account for 12 per cent of the weightage, showed a much larger fall of slightly over 13 per cent. By comparison, prices of manufactures, which account for slightly over 29 per cent of the total weight, declined by less than 3 per cent during the period. The index for machinery and transport equipment actually registered a rise of about 2 per cent. Taking the different commodity groups together, the fall in the general price index comes to around 5 per cent during the above-mentioned period of four-and-a-half months.

The price trend, it is thus clear, has been influenced mainly by food articles and industrial raw materials in respect of which the seasonal factor is dominant. In view of the relatively unfavourable agricultural situation which provides the backdrop to the next financial year, there is little reason to expect that the declining trend in prices will continue. In fact in respect of agricultural products, the declining trend has already been reversed or halted. The price index for rice, after declining to 343 by December 1974 from its previous peak of 404 at the end of September, has risen by 16 percentage points upto February 15. The index for wheat also showed the same trend during the period and its level in mid-February was the same as at the end of September 1974. Prices of both raw jute and cotton have behaved more or less in the same manner.

The halting of the decline in prices is clearly evident in respect of both finished goods and intermediate products. In fact, prices of jute manufactures rose sharply between end-December and February 15 by about 10 per cent. Though prices of manufactures as a whole have shown an almost stable trend during the two months upto February 15, it would be safe to presume that this is a temporary phase. As industrial raw material prices start rising again, prices of manufactures would follow suit. Fuel and electricity prices would go again after coal prices are hiked up. A number of states, faced with deficits in their electricity generation and distribution, have already jacked up electricity rates.

In brief, even if demand-pull factors do not continue to raise prices of manufactured products — especially of those facing a slackening demand — the cost-push factors may be expected to work sufficiently strongly to achieve the same results. The government has given enough indications that it is willing to concede price increases if prices come in the way of manufacturers realising comfortable profit margins. This policy has been superimposed on the general policy of doing away with most of the officially supervised price controls. Industrial units in the private and public sectors could be expected to take full advantage of the official permissiveness.

The government may try to keep prices under control by resorting to imports so as to increase domestic availabilities. It is true that international prices of a number of essential imports have come down. Foodgrain prices, for instance, have declined from their peak levels reached in 1974. But the landed prices of imported foodgrains would still be higher than those of internally procured foodgrains and so there is little possibility of scaling down issue prices to consumers. Taken as a whole, prices of imported commodities

How the US Made Cambodia's Revolution

G P D

THE never-ending war in Indo-China seems to be drawing to a close at last. The pressure on Pnom Penh mounted by the Khmer Rouge is growing and, with every passing day, Lon Nol's government in Cambodia is moving closer to doom. It is five years since Prince Sihanouk was overthrown and the reliable, anti-communist men-in-uniform now ruling Cambodia took over. The only thing which Lon Nol and his comrades-in-arms have been able to demonstrate is that they have failed to find a solution to the Americans' basic problem in South-East Asia: how to sustain with brute force the dominoes which they keep shuffling in the region. The Americans and Lon Nol, and for that matter President Thieu, are nowhere near sorting out this problem.

The invasion of Cambodia was undertaken five years ago ostensibly to prevent the use of Cambodian territory by the FLN of South Vietnam. But far from solving the Americans' troubles with the Vietcong, the invasion only succeeded in bringing the Khmer Rouge to the centre of the stage in Indo-China. It accelerated the process of polarisation in the region. Prince Sihanouk, then ruling in Pnom Penh, was no friend either of the Khmer Rouge or of Peking where he has been in exile for the last five years. He was a non-aligned, non-communist ruler. Now he certainly is a changed man. The balance of forces in Indo-China has changed decisively in favour of the national liberation war. The Americans have made many mistakes, but perhaps none would be recorded in history as graver than the invasion of Cambodia. There is a Sanskrit adage that the closer you are to the end, the more foolishly you behave.

But it is not a question of just being foolish. The war in Indo-China has been, of course, the most macabre demonstration of modern man's achievements. But that is not all. The most important lesson of the war is that the moment a people start an operation which involves a fundamental change in the balance of forces, they invite the most brutal, ruthless suppression. The Vietnamese people know it better than any other people in the world. It is doubtful if there is in fact an alternative scenario to this confrontation. Those who seek to transform the balance of forces in a thoroughgoing manner have to take all this into account and prepare for it, or else aim at something more modest, less thoroughgoing and, therefore, less revolutionary.

We are witnessing the last stages of the struggle between people like the FLN in Vietnam or the Khmer Rouge in Cambodia on the one hand and the Americans on the other. This struggle is in reality the central struggle of international politics today. It would be a mindless exercise in political astrology to predict when Saigon or Pnom Penh will fall. The point really is that in a people's war there is no defeat. *The New York Times* recently warned that the Khmer Rouge is in fact asking for "unconditional surrender". It could not have been more correct. All people's wars aim at the unconditional surrender of imperialism. What *The New York Times* probably does not know is that they inevitably get it in the end.

It is amazing how Lon Nol's 'expert' advisers from Washington made an essentially political problem appear a military one. And now, when it is already too late, they are thinking of political solutions to the military problem they themselves created.

Unlike in Vietnam, the political picture within Cambodia is far from clear. The Khmer Rouge has become a force to reckon with over the last five years. Even now there is not enough information on it. The Prince whose leadership it has *now* accepted may not, in fact, be very fond of it. The ebullient, nationalistic Sihanouk used to be quite popular but, unlike the Vietnamese leaders, he was never a man of the masses. Thanks to the American invasion, the people are now on his side in a very decisive manner. One can foresee some problems between him and the Khmer Rouge. But that's a matter for the future. As Lon Nol sinks in the war for the Mekong, the Prince becomes the unmistakable symbol of Cambodian nationalism.

Till 1970, the revolutionary changes in the Indo-Chinese peninsula could have been limited to Vietnam and parts of Laos. The Americans then made certain that they extended to Cambodia as well. It is interesting how every aggressor has tended to look upon Indo-China as one whole unit and extended the war to the entire peninsula. The French did it. The Americans followed suit. The French met with an inevitable, ignominious defeat. The Americans and their clients will meet with the same fate. The world balance of forces would have then undergone one more very decisive change, easily the most decisive since the PLA and the CCP brought about the victory of revolutionary forces in China.



Arms Supplies to India

Year	Item	Number	Comment
	From USSR		
Aircraft			
1955	Il-14	2	Transport (1950); gift
1960	Il-14	24	
1961	Mi-4	10	Helicopter (1952); sold for cash
1961	An-12	8	Heavy transport (1958)
1962	Mi-4	16	
1962	An-12	8	
1963	MiG-21	6	Fighter (1956)
1963	Mi-4	6	
1963	An-12	8	
1965	Mi-4	36	Deferred payment
1965-67	MiG-21	90	Direct purchase
1966	Mi-4	40	Deferred payment
1966	MiG-21 UTI	14	
1966	An-12	10	
1967	Tu-124	3	Transport (1960)
1967-74	HAL-MiG-21FL	196	Produced under licence; indigenous content 60 per cent in 1972
1968-70	Su-7B	100	Fighter/ground attack (1956)
1971	Su-7B	50	
1971	Mi-8	20	Helicopter (1961)
1972	MiG-21M	7	Delivered prior to start of licence production
1972	HAL-MiG-21MF	150	Improved version produced under licence
Missiles			
1963	K-13 'Atoll'	36	Air-to-air (1956); range probably 3.4 km; to arm MiG-21
1965-66	SA-2	102	Surface-to-air (1957); 40 km; 17 sites
1966-67	K-13 'Atoll'	540	To arm MiG-21
1967-73	K-13 'Atoll'	1120	To arm MiG-21; produced under licence
1968-72	SA-2	75	50 sites
1971-72	SS-N-2 'Styx'	96	Naval surface-to-surface, 35 kms; 4 missile launchers in 2 pairs on torpedo boats
Naval Vessels			
1966	Landing craft, 'Polnocny' class	2	Displ : 900 t
1967	Fast patrol boat, 'Poluchat' class	5	Displ : 100 t
1968	Submarine tender, modified 'Ugra' type	1	Displ: 6,000 t light
1968	Fast patrol boat, 'Poluchat' class	1	Displ: 100 t
1968-69	Submarine, F class	2	Displ: 2,000 t surface; 2,300 t submerged
1969	Frigate, 'Petya' class	5	Displ: 1,050 t
1970	Submarine, F class	2	Displ: 2,000 t surface; 2,300 t submerged
1971	Submarine tender	1	Displ: 790 t
1971	Frigate, 'Petya' class	1	Displ: 1,050 t
1971-72	Motor torpedo boat	8	Similar to 'Osa' class; armed with 'Styx' SSMs
1972	Frigate, 'Petya' class	2	
Armoured Fighting Vehicles			
1964	PT-76	70	Light tank, 16 ton (1955)
1965	PT-76	80	
1968-71	T-55	225	Main battle tank, 36 ton (1961)

Year	Item	Number	Comment
	From USA		
Aircraft			
1954	Sikorsky S-55	6	Helicopter (1949)
1954	Fairchild C-119 G Packet	26	Transport (1947)
1956	NA T-6G Texan	30	Trainer (1939)
1957-58	Bell 47G-3B	6	Helicopter (1946)
1960	Sikorsky S-62	2	Helicopter (1960); supplied for evaluation
1961	Fairchild C-119 G Packet	29	
1961	Bell 47G-3B	6	
1962	DAC-4 Caribou	2	Short take off and landing (STOL) transport (1960)
1962	Fairchild C-119 G Packet	23	
1962-64	Lockheed C-130 Hercules	12	Transport (1952); free loan, with air and ground crews
1963	Fairchild C-119 G Packet	24	
1971	Hughes 300	10	Helicopter (1964); for Navy
Armoured Fighting Vehicles			
1953	M-4 Sherman	180	Main battle tank, 34 ton
	From UK		
Aircraft			
1949-53	HAL Percival Prentice	62	Trainer (1946); produced under licence
1950	Short Sealand	10	Flying boat (1948)
1953	Fairey Firefly T.T.I	5	Fighter (1941)
1953	DH Vampire N.F.54	10	Fighter (mid-1940s)
1953-59	HAL/DH Vampire FB9	230	Fighter (mid-1940s); produced under licence
1955	Vickers Viscount T30 and 723	2	Transport (late 1940s)
1955	Auster AOP 9	10	Monoplane (1954)
1956	Auster AOP 9	20	
1956-60	HAL/DH Vampire T. 55	50	Produced under licence
1951-61	Hawker Hunter F. 56	160	Fighter (1953)
1957-61	Hawker Hunter T.66	22	
1958	Fairey Firefly T.T.4	5	
1958	Canberra B(1)58	66	Long-range bomber (1951)
1958	Canberra PR. 57	6	
1958	Canberra T.4	6	
1958	Folland Gnat	25	
1959	Folland Gnat	15	In component form for local assembly
1960-63	Seahawk	24	Naval fighter (1954); partly new, partly ex-RAF
1960-65	HAL/Folland Gnat	100	Produced under licence
1961-65	Seahawk	12	Refurbished
1963	Auster AOP 9	5	
1965	Canberra B(1)58	6	
1965-67	HAL/HS-748	10	Produced under licence
1966-69	HAL/HS Gnat	100	Production extended due to Gnat success in 1965 Pakistan war
1967	HS Hunter F.56	36	Fighter (1953); refurbished
1967	HS Hunter T.66 D	12	Refurbished
1968-69	HAL/HS-748	4	Produced under licence
1970-71	BAC Canberra B.15 and 16	12	Ex-RAF, refurbished

Arms Supplies to Pakistan

Year	Item	Number	Comment
	From USA		
1956	Lockheed T-33A	10	Trainer (1950)
1956-58	NA F-86F Sabre	120	Fighter (1952)
1957	Lockheed RT-33A	6	Reconnaissance (1950)
1958	Martin B-57B Canberra	26	Long-range bomber (1953)
1958	Martin RB-57 Canberra	6	Reconnaissance (1953)
1958-62	Cessna 0-1 Birddog	75	Light aircraft (1950)
1960-61	Bell 47	15	Helicopter (1946)
1960-62	Sikorsky S-55	15	Helicopter (1949)
1962	Lockheed F-104B Starfighter	2	Fighter (1956)
1962	Lockheed F-104A Starfighter	12	
1962	Grumman HU-16A Albatross	4	Maritime reconnaissance/anti-submarine
1963	Lockheed C-130E Hercules	4	Transport (1952)
1963	Cessna T-37B	25	Jet trainer (1955)
1963	Kaman HH-43B Huskie	4	Helicopter (1958)
1966-67	Lockheed C-130E Hercules	2	
1971	Cessna T-37	4	
1972-	Cessna/Dhamial 0-1 Birddog	5	Assembled from previously acquired parts, indigenous content approx 60 per cent
...	Sikorsky helicopter	10	On order
	Missiles		
1958-64	NW C Sidewinder	400	Anti-aircraft; 3.4 km; (1954) to arm F-86, F-104, MiG-19 and Mirage
	Naval Vessels		
1955	Coastal minesweeper	1	Displ: 335 t; MAP transfer
1956	Coastal minesweeper	1	Displ: 335 t; MAP transfer
1957	Coastal minesweeper	2	Displ: 335 t; MAP transfer
1958	Destroyer, "CH" class	2	Displ: 335 t
1959	Coastal minesweeper	2	Displ: 335 t; MAP transfer
1959	Tug	1	Displ: 1235 t; MAP transfer
1959	Water-carrier	1	
1960	Tug	2	
1960	Oiler	1	Displ: 600 t
1962	Coastal minesweeper	1	Displ: 335 t; MAP transfer
1963	Oiler	1	Displ: 5,730 t; MAP loan
1964	Submarine, 'Tench' class	1	Displ: 1,570 t; on loan
	Armoured Fighting Vehicles		
1954-55	M-41 Bulldog	50	Tank, 21.4 ton (1951)
1954-55	M-24 Chaffee	150	Light tank, 18 ton (1945)
1954-55	M-4 Sherman	200	Main battle tank, 34 ton (World War II)
1955-60	M-47 and M-48 Patton	400	Main battle tank, 34.35 ton (1951-52)
1955-65	M-113	300	Armoured personnel carrier (1959)
1958	M-36	20	Tank destroyer, 30 ton (World War II)
1973	M-113	300	

Year	Item	Number	Comment
	From UK		
	Aircraft		
1950	Hawker Sea Fury FB 60 and T-61	10	Naval fighter/fighter bomber (1940s)
1950-52	Short SA 6 Sealand	5	Flying boat (1948)
1950-55	Bristol Freighter MK 21/31	62	Transport (1940s)
1951-53	Vickers Attacker F-1	36	Fighter (1951)
1957	Vickers Viscount 734	1	Transport (late 1940s)
1967	HS Trident 1E	1	
...	Westland Sea King	6	Helicopter (1970); on order; for anti-submarine warfare
	Naval Vessels		
1951	Destroyer	1	Displ: 1,800 t
1956	Light Cruiser, 'Dido' class	1	Displ: 5,900 t
1956-57	Destroyer, 'Battle' class	2	Displ: 2,325 t
1958	Destroyer, 'CV' class	2	Displ: 1,730 t
1965	Patrol boat, 'Town' class	4	Displ: 115
...	Frigate, 'Whitby' class	2	Displ: 2,560 t; on order
	Armoured Fighting Vehicles		
1950	Diamler AC	10	
	From France		
	Aircraft		
1968	Sud Alouette III	4	Helicopter (1959)
1968	Dassault Mirage III EP	18	Fighter (1962)
1968	Dassault Mirage III RP	3	
1968	Dassault Mirage III DP	3	
1972	Dassault Falcon	1	Transport (1963)
1972-	Aerospatiale Dhamial Alouette III	10	Produced under licence
1972-	Dassault Mirage V	28	Fighter (1962-66); 20 delivered by end of 1973
1972-	Dassault Mirage III	2	
	Missiles		
1968	Matra R-530	72	Anti-aircraft (1963-64); 18 km; to arm Mirage; limited use due to high unit cost
	Naval Vessels		
1970-71	Submarine, 'Daphne' class	3	Displ: 700 t
	From China		
	Aircraft		
1965	MiG-15 UTI	4	Fighter (around 1950)
1966	Il-28	4	Bomber (1950)
1966	F-6 (MiG-19)	40	Interceptor-fighter
1971	F-6 (MiG-19)	60	
1972	F-6 (MiG-19)	60	
	Naval Vessels		
1971-72	Motorboat, 'Shanghai' class	9	
	Armoured Fighting Vehicles		
1965-66	T-59	80	Main battle tank, 32 ton (1963)
1970-71	T-59	110	
1972	T-59	100	

Year	Item	Number	Comment
1970-71	HAL/HS-748	5	Produced under licence
1971	Westland Sea King	6	Helicopter (1970)
1972	HS Hunter	5	Refurbished
1972-	HAL/HS-748	26	Produced under licence
1973-74	Westland Sea King	6	For anti-submarine warfare
...	HAL/HS Gnat MK 2	...	Production to be resumed of improved version
...	HAL/HS-748	20	Freighter version to be produced under licence
	Missiles		
1972	Short Seacat	20	Naval surface-to-surface, 4 km; 2 quadruple launchers on 'Leander' frigate
1972-73	Short Tigercat	40	Surface-to-air
...	Short Seacat	100	2 quadruple launchers on remaining 5 'Leander' frigates
	Naval Vessels		
1950	Destroyer, 'R' class	3	Displ: 1,725 t; refitted 1949
1953	Destroyer escort, 'Hunt' class	3	Displ: 1,050 t; on loan
1954-55	Inshore minesweeper, 'Ham' class	2	Displ: 120 t
1956	Coastal minesweeper, 'Ton' class	4	Displ: 360 t
1957	Cruiser, 'Colony' class	1	Displ: 8,700 t;; refitted 1954
1958	Anti-aircraft frigate 'Leopard' class	1	Displ: 2,251 t
1958	Anti-submarine frigate, 'Backwood' class	3	Displ: 1,180 t
1960	Anti-aircraft frigate, 'Leopard' class	2	Displ: 2,251 t
1960	Anti-submarine frigate, 'Whitby' class	2	Displ: 2,144 t
1961	Aircraft carrier, 'Majestic' class	1	Displ: 16,000 t
1972	Frigate, 'Leander' class	6	Displ: 2,450 t; being built in India; armed with 'Seacat' SAMs
	Armoured Fighting Vehicles		
1950	Diamler and Humber AC	120	
1956-67	Centurion	210	Main battle tank (1950); 50-52 ton
1956-57	Ferret	50	Armoured car; 4.2 to 5.4 ton (1951)
1967-73	Vijayanta	500	Main battle tank version of Vickers 37 (1965); produced under licence; indigenous content 68 per cent in 1972
	From France		
	Aircraft		
1953-54	Dassault M. D. 450 Ouragon	71	Fighter-interceptor (1949)
1957	Dassault M. D. 450 Ouragon	33	
1958	Dassault Mystere IV A	110	Interceptor/ground attack (1952)
1961	Breguet 1050 Alize	15	Anti-submarine warfare (1959)
1963	Sud Alouette III	20	Helicopter (1959)
1966-73	HAL/Sud Alouette III	120	Produced under licence; indigenous content 96 per cent
1968	Breguet 1050 Alize	3	
1972-	Aerospatiale Alouette III	8	For use in 'Leander' frigates
	Missiles		
1968	Nord A 5.30	50	Anti-submarine, 12 km (late 1950s)
1969	Nord Entac	50	Anti-tank, 2 km (1957)
1969	Nord SS.11	50	Surface-to-Surface, 3 km (1962)
1971-72	Nord SS.11	750	Produced under licence, indigenous content 70 per cent by 1973-74
	Armoured Fighting Vehicles		
1957-58	AMX-13	150	Light tank, 15 ton (1950)
	From Canada		
	Aircraft		
1950-51	DHC-1 Chipmunk	20	Trainer (post-World War II)
1957	DHC-3 Otter	6	Short take-off and landing (STOL) transport (1952)
1958	DHC-3 Otter	20	
1963	DHC-3 Otter	5	Emergency aid
1963	Douglas C-47	8	Transport (World War II); Emergency aid
1963	CCF T-6 Harvard	36	Trainers; Emergency aid
1963-69	DHC-4 Caribou	16	Short take-off and landing (STOL) transport (1960); on loan
1968	DHC-4 Caribou	4	
	From Others		
	Aircraft		
1962	DH Vampire T.55 (Indonesia)	8	
1966	Armstrong Whitwork Seahawk Mk 100 and 101 (FR Germany)	24	Naval fighter (1954)
1970-71	BAC Canberra B(1)12 (New Zealand)	10	Long-range bomber (1951)
	Naval Vessels		
1953	Oiler (Italy)	1	Displ: 3,500 t
1957-58	Seaward defence craft, 'Savitri' class (Italy)	4	Displ: 63 t
1959	Seaward defence craft, 'Sharada' class (Yugoslavia)	2	Displ: 86 t
	Armoured Fighting Vehicles		
1968-71	T-54 (Czechoslovakia)	225	Main battle tank, 36 ton (1954)
1969-72	OT-62A (Czechoslovakia)	120	Armoured personnel carrier, 13 ton (1963); produced under licence
1971	OT-64 (Czechoslovakia)	30	Armoured personnel carrier, 12.5 ton (1964)

Note: Date in brackets in column (4) refers to date on which production of first version was started.

Source: "Arms Trade Registers: The Arms Trade with the Third World", Stockholm International Peace Research Institute, Stockholm, 1975.

Year	Item	Number	Comment
	From Muslim Countries		
	Aircraft		
1967	Lockheed C-130B Hercules (Iran)	4	Transport (1952)
1971	Lockheed C-104 Starfighter (Jordan)	10	Fighter (1956)
1971	Northrop F-5 Freedom Fighter (Libya)	3	Fighter (1958)
1971	Aerospatiale Alouette II (Saudi Arabia)	2	Helicopter (1955)
1971	DHC-2 Beaver (Saudi Arabia)	10	Short takeoff and landing transport (1948)
...	Northrop F-5 Freedom Fighter (Iran)	40	
	From Other Countries		
	Aircraft		
1965	Fokker Friendship (Netherlands)	1	Transport (1958)
1966	NA F-86 Sabre (FR Germany)	90	Fighter (1952)
1968	Lockheed TF-104G Starfighter (Belgium)	3	
1968-71	Mi-8 (USSR)	12	Helicopter (1961)
1974	Saab MFI-17 (Sweden)	47	Light aircraft (1969); on order
	Missiles		
1965	MBB Bo Cobra (FR Germany)	500	Anti-tank, 1.6 km (1960); built under licence
	Naval Vessels		
1955	Tug (Netherlands)	1	
	Armoured Fighting Vessels		
1968	M-47 Patton (Italy)	100	Main battle tank; 44 ton (1951); conflicting information as to whether Pakistan actually received these

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The Defusing and the Aftermath

Romesh Thapar

THE immediate political crisis has defused as suddenly as it built up, judging from recent events and the repercussions, flowing from them. Those elements, often diametrically opposed, who were putting their devalued rupees on a sharp confrontation and another split within the ruling party, have been foiled by an Indira Gandhi who has again asserted her independence and acted for unity — or consensus. There's no denying the strong sentiment in the ruling Congress party for a return to discussion, dialogue and debate to chart a path out of the present anarchy.

Probably, a number of factors have helped to place the initiative again, positively, in Indira Gandhi's hands. First, and not to be scoffed at, is JP's Charter of Demands presented to Parliament after "the march" in Delhi. Call it what you will, react to it as you wish, the key fact remains that the major actors in the so-called JP movement are no supporters of the Charter; the central issues detailed in this document run counter to this or that plank of the Jan Sangh, the BLD and others. Second, and also not to be scoffed at, there is the split in the Sarva Seva Sangh; the silent Gandhians all over the country are torn, individually and collectively, over the means and ends of JP's "total revolution". And, third, the attempt to create a bogey around "fascism" in India has paid no dividends whatsoever.

However, initiatives of any sort are impossible so long as commitments do not develop to a set of policies which attack the central question of Indian poverty. This faith fails to nurture in a complex maze of cynical Right and Left stratagems. Indeed, fear of independent thinking linked to the critical realities of India is omnipresent. Heavily financed lobbies of Right and Left, particularly of the latter variety, are active character-assassinating those who dare to break out of the maze which is holding us captive. Indira Gandhi will have to face this problem with more than courage. Only when it is resolved will solid and meaningful decision-making become possible.

Every element in the situation is conspiring to push the Prime Minister to stir. Even in the area of foreign affairs, it is becoming apparent that we have underestimated the extent of the US convergence in and around Iran, including Pakistan. The recent compact between the Shah and Bhutto, including the supply of military hardware, cannot be skirted by those who saw the possibility of a new flowering of Indo-Iranian understanding. We are beginning to realise that foreign policy is not just a matter of vague goodwill visits and lazy follow-up.

The US military arrangements, which are obviously under way in Iran and Pakistan, will have to be studied against the background of Islamic politics throughout the Arab world and elsewhere. Non-alignment can only become credible in today's situation if the commitments of the non-aligned cut across parochial regional and religious barriers. A continuing irrelevance in policy only tresses the need for forging a more precise and co-ordinated framework within which to safeguard our agreed national interests.

There is a great deal of alarm at the apparent lack of effort to arrest our deteriorating political situation. As in economics, so in politics, national psychology plays a major role in crystallising a mood. The mood generated by performance in one or the other sphere influences the totality. Until recently, we were drowning in the economic gloom. Then, the political demoralisation cast deep shadows. Again, there is a desire to pull ourselves out of a man-made mess. Clearly, leadership is sadly lacking, for Indira Gandhi remains dominant despite the black eyes, the bruises and the smears.

The sickness is so deep that in the Capital the leading political elements can hardly wait for the cross examination of Indira Gandhi at Allahabad on the matter concerning her election expenses and practices. The conviction is widespread here that new embarrassments are in the offing for the ruling Congress party, that one scandal will follow another, that no respite will be given to a corrupt regime which has inflicted terrible damage on normal democratic procedure. There's no one in the ruling party to stop the rot. They are all frightened of "the lady" and leave the job of correction solely to her and those around her.

Whatever the count, the defusing, temporary though it be, does offer Indira Gandhi the chance to take a stand and begin the battle for fundamental reform and relevance. Will adequate pressure build from within the ruling party for such an orientation? Can the still healthy and honest elements in the power hierarchy create the sanctions for a new attempt at leadership? Is the passion for a new level of national consensus adequate to compel a return to minimum democratic disciplines? What are the instruments which can transform essentially middle class policies into programmes to consolidate living for 600 millions at some acceptable dignified level? Will the framework of democracy be adequate or will more austere systems be resorted to?

We will be discussing these and related issues in the coming months of summer, whatever the quantum of the harvest and whatever the intensity of the monsoon.

March 17

SUBSCRIPTION RATES

	Inland	Foreign (surface mail)
6 months	Rs 40	
1 year	Rs 75	Rs 120
2 years	Rs 140	Rs 230
3 years	Rs 200	Rs 335

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

Fudged Economics

Nireekshak

THE report of the Fact Finding Committee on Newspaper Economics is a comprehensive one, covering practically all aspects of the industry and is the most significant document on the Press after the Press Commission's report about 20 years ago. Though it is primarily a study of the economics of the industry in relation to revenues and costs, it has had to deal with what it calls certain parametric elements which have indirect effects on costs and revenues.

The Committee finds that the newspaper industry has made good profits. Alongside, there has been a growing monopolistic trend and the profits of newspapers controlled by industrial concerns have been syphoned off to uses unrelated to the newspaper industry. Curbing of monopolistic tendencies, delinking of newspapers from industrial houses and ensuring the ploughing back of profits to the newspapers, institutional support to small and medium papers and fuller investigations into irregularities committed by some of the newspapers are among the recommendations of the report. Indian Express, Thanthi-Malai Murasu (Tamil), Statesman, Navbharat (Hindi) and Pioneer are mentioned as the newspaper groups against whom irregularities have been alleged or have been discovered.

The study of the economies of the Press was rendered complex not only by the existence of different types of ownership organisations (public companies, private companies, partnerships, individual ownership, trusts, political parties, etc) but also by the existence of common ownership or inter-links of different types. Common ownership units, also known as chains, groups and multiple units, account for a large percentage of the dailies and a larger percentage of their circulation. The growth in the number of common ownership dailies and their share of total circulation is an index of the monopolistic trend. In 1967, there were 62 common ownership units owning 142 dailies with a combined circulation of 49.66 lakhs. In 1973, there were 94 such units owning 206 dailies with a circulation of 66.92 lakhs.

The report describes some of the forms of 'inter-linking'. Sometimes different companies publish newspapers from the same centre (e g, *Amrita Bazar Patrika* and *Jugantar*). Different companies can publish the same paper, each from a different centre (e g, *Indian Express* is published from nine cities but by different companies). Partnership or ownership units may be linked with joint stock companies. Newspaper companies own subsidiary companies which belong to the related field of printing and publishing. Sometimes the subsidiary companies are entirely unrelated to printing and publishing. The Committee found the Express empire a veritable labyrinth. Indian Express Newspapers (Bombay) Ltd owns all the shares of Indian Express (Madurai) Ltd and of Andhra Prabha (Private) Ltd. These three and Express Newspapers (Private) Ltd jointly own Express Traders. Ace Investment (Private) Ltd and Express Traders own shares in Indian Iron and Steel Co Ltd. Ace Investments also holds shares in the National Company, Calcutta, which in turn holds a large block of shares in the Indian Express (Bombay) Ltd, completing the circle. Some companies, besides publishing newspapers, undertake non-newspaper activity. The Pioneer Ltd of Lucknow publishes *Pioneer* and *Swatantra Bharat* and also buys and sells cotton yarn and cloth on behalf of a mill.

Inter-links of this kind not only make for concentration of ownership but render analysis of costs, revenue and profits earned by individual units difficult. Inter-links and common ownership are rarely apparent on the surface. For instance, there is no visible direct link between the Indian Express group and the Jansatta (Gujarati) group but the Indian Express group has an investment of Rs 30 lakhs in a firm, Traders (Private) Ltd, which has control of the Jansatta group. The Thanthi chain of Tamil dailies is owned by the same group which owns a parallel chain under the name *Malai Murasu*. Big industrial houses need not hold shares in newspaper companies directly. They can exercise control indirectly by holding shares in sugar or jute mills that own shares in newspaper companies.

Monopoly of circulation (two Bengali dailies between them account for almost the entire newspaper readership in the language — 52.4 per cent and 32.9 per cent; the Express group's Telugu papers command 49.3 per cent of the total Telugu newspaper circulation; the Thanthi and allied publications control 39 per cent of the Tamil newspaper circulation) is pernicious, but the link between non-newspaper business and newspapers is worse. The report notes that newspaper profits have been used to buy shares in industrial enterprises. Deposits from the public, sought in the name of newspapers, have been used for other purposes. It is difficult to isolate the revenue and costs which can be directly attributed to a newspaper which is part of other interests. And when an undertaking owns more than one newspaper, it is difficult to apportion common costs. All this raises the issue of delinking of newspaper interests from other business. As the report wryly says, if this delinking is achieved, one of the major impediments to study of the economics of the newspaper industry would disappear!

COMPANIES

Putting Off Capital Expenditure

Hansavivek

BOMBAY DEYING's exports increased last year by Rs 6.25 crores to Rs 15.25 crores, a new peak in the company's 96-year career. Exports represented 37.74 per cent of the company's total production of cloth during the year. Another two per cent was supplied to manufacturers for export of ready-made garments. The company's total sales increased by over 14 per cent to Rs 50.46 crores, but with margins depressed gross profit rose by less than 9 per cent of Rs 4.25 crores. This outcome reflects the impact of a 41-day strike at the beginning of the year and restrictions on consumption of power. In regard to the future outlook, Neville N Wadia, chairman, emphasises that once again cotton is the major problem, since with a crop far below the needs of the industry, prices have shot up again. The shortage, he says, is being aggravated by the 40 per cent duty on imports, which have fallen to 1.29 lakh bales from 4.58 lakh bales, and by the "tremendous" excise duty on man-made fibres as a result of which the four polyester plants are working at half their rated capacities. He adds that the Koyali DMT plant, which has lately got over its teething troubles, is unable to sell all that it can produce. Wadia feels that the company's profits this year will be "substantially below" that in 1974 if the threatening recession materialises. He however assures shareholders that the management hopes to weather the storm by improving efficiency, effecting economies and by postponing any further capital expenditure.

During 1974, the company spent Rs 35 lakhs on the construction and extension of the buildings of the company's three mills and Rs 661 lakhs on new machinery. Among important new items, 120 automatic Sulzer looms were installed and have also gone into production and a new humidification plant and a new generator set have been installed at the spring mills. The new rotary screen printing machine has gone into production at the new bleach works and a new polymerising machine has been added for the curing of printed goods. The building housing the old waste plant, which has since been disposed of, has been demolished and a new one is being put up there to house a synthetic spinning plant with proper humidification in which blended yarns will be prepared and spun for manufacture of polyester/cotton and other blended fabrics.

BILASPUR SPINNING has increased its installed capacity from 12,084 spindles to 20,704 spindles. The remaining spindles to raise capacity to 25,024 spindles could not be installed owing to delay in supply of preparatory machines by the machinery producers. Meanwhile, the cost of the expansion project has increased substantially on account of inflation. The company has approached the financial institutions for an additional loan of Rs 50 lakhs to cover the increased cost. The company's application for installation of additional spindles is still pending. The industrial licence for the second unit, which had lapsed, still awaits renewal. The management is also still negotiating with West Bengal Industrial Development Corporation for a spinning mill in the joint sector in West Bengal. Although an industrial licence has been issued, details are still to be worked out. The project is being re-examined in view of the increased cost. In addition, the company is also studying the prospect of different types of industrial ventures near Bilaspur. During 1973-74, the company was able to step up sales substantially, but at the cost of profit margins. The directors have proposed a dividend of 12 per cent on the enlarged equity capital resulting from the 'rights' issue made on a two-for-five basis. The bonus issue, proposed on a one-for-five basis, has not been approved by government. It has been decided to wait till the reserve position records a further improvement and then submit a proposal for gift shares on terms "more attractive to shareholders". As a result of the interim relief granted by the High Court on a writ petition filed by the company in regard to the substantial cut in the quota of staple fibre allotted to it from Gwalior Rayon, the supply position has improved to some extent. In view of the lower availability of staple fibre the company had to switch over partially to spinning of cotton from March 1974.

ASHOK LEYLAND, after a year of record production, sales and profits, is looking ahead to the future with cautious optimism. In view of the severe power cuts imposed in Tamil Nadu, the chairman, S Ranganathan, finds it rather difficult to forecast the company's results for the current year, but he is confident that the distinct customer preference enjoyed by its products will enable the company to sell all that it can produce. He feels that any current stagnation in the market is of a temporary nature. Accordingly, the company is striving to implement its programme of expanding production facilities for both 'Comets' and engines expeditiously. While welcoming the government decision to allow manufacturers to vary selling prices provided profits are kept within certain stipulated parameters, Ranganathan observes that the scheme does not really encourage and reward higher efficiency and production. He assures government that his company will always exercise self restraint and in support of his contention he adds that his company was the first to have passed on to customers the benefits of greater efficiency and productivity by twice reducing prices in November and January last.

The Week's Companies

(Rs in Lakhs)

	Bombay Dyeing		Bilaspur Spg	
	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 30-9-74	Last Year 30-9-73
Paid-up capital	434	361	99	62
Reserves	599	518	101	55
Borrowings	1407	849	204	115
of which Term borrowings	572	461	57	51
Gross fixed assets	3055	2534	298	170
Net fixed assets	1180	804	235	123
Investments	45	40	1	—
Current liabilities	1422	1163	111	73
Current assets	2637	2047	275	179
Stocks	1605	1237	149	117
Book debts	885	722	77	39
Net sales	5046	4421	467	238
Other income	87	75	8	3
Raw material costs	2358	1913	303	153
Wages	1171	978	28	20
Interest	191	94	12	6
Gross profit (+)/loss(—)	425	391	67	54
Depreciation provision	146	96	16	18
Tax provision	57	132	—	—
Net profit (+)/loss(—)	222	163	51	36
Development rebate provision	89	54	21	11
Transfer to reserves	81	37	21	18
Dividend				
Amount	E 52	72	P 1 E 8	1 6
Rate (per cent)	E 12	20	P9.50 E 12	9.50 12.50
Cover (times)	2.54	1.51	3.61	4.00
Ratios (per cent)				
Gross profit/sales	8.42	8.87	14.34	22.69
Net profit/capital employed	9.10	9.42	12.62	15.52
Inventories/sales	31.81	28.00	31.90	49.16
Wages/sales	23.20	22.12	6.00	8.40

NEW DELHI

Floundering in Steel

B M

THE weakening of the developmental tempo of the economy is probably best illustrated by the slow-down of the steel programme. It is not the financial stringency alone which is responsible for this. Poor management and misutilisation and misdirection of available funds, combined with an *ad hoc* approach and narrow political and parochial prejudices have had no small part to play. As a result, the entire steel programme has shrunk to a point where the expansion of the Bhilai and Bokaro plants alone is being actively taken up and everything else is being left to an uncertain future. If the level of economic activity does at last pick up, inadequate steel capacity is bound to emerge as a major constraint.

The Annual Plan for 1975-76, the second year of the Fifth Plan, envisages a further slowing down of the effort in steel, compared to even 1974-75. Against the tentative allocation of Rs 1,785 crores for iron and steel in the draft Fifth Five-Year Plan, the outlay proposed for 1974-75 was Rs 263 crores. The actual expenditure is likely to be Rs 255 crores which, considering the price rise, represents a considerable shortfall in physical terms. For 1975-76 an outlay of Rs 412 crores was first proposed, but it has been finally pruned to Rs 270 crores. Out of this, nearly Rs 200 crores are earmarked for the Bokaro and Bhilai expansion programmes. All other programmes are, therefore, virtually frozen. If the Steel Minister, Chandrajit Yadav, still pretends that the southern steel plants, including the Salem project, have not been shelved, nobody is going to believe him.

Nearly Rs 1,000 crores have been committed to the expansion of Bhilai to 4 million tonnes — an addition of 1.5 million tonnes which will not be achieved for another seven to eight years. If, meanwhile, work on other projects is frozen, the steel situation is bound to become difficult in the early eighties. Another problem to be considered is the heavy cost and long delays involved in the Bhilai and Bokaro projects under the existing arrangements.

Bokaro's first 1.7 million tonne capacity stage is now expected to be completed by the end of 1975. But this will not include the cold rolling mill which will take one more year to be erected. The revised estimate of cost of the first stage, which has taken nearly ten years to be completed, has gone up to nearly Rs 950 crores. It is not likely that stage II, involving expansion of capacity to 4 million tonnes, will be completed by the end of 1977 as now envisaged. The cost is also going to be very much higher than the latest revised estimate of Rs 500 crores.

The position with regard to the expansion of Bhilai is even worse. The completion of the project has been further phased out and the new schedule proposes to shift the target date of commissioning from September 1979 to September 1981. The provision of Rs 46.62 crores for the project in the Annual Plan for 1975-76, instead of the estimated requirement of Rs 67.50 crores, is linked to the new schedule. Meanwhile, the estimated cost of the project has gone up from Rs 539 crores to Rs 969 crores.

Even before the latest decision to lengthen the time schedule of its construction, the Bhilai expansion project had been running very much behind schedule. According to the Planning Commission's scrutiny of the progress of construction, made at the time of preparing the Annual Plan for 1975-76, within one year of its launching "the commissioning of the plant has slipped by two years". With the decision to further phase out the project by another two years, the construction lag will be of four years which will have several repercussions, including a further escalation in cost.

The Ministry of Heavy Industry, which has been claiming big successes in the working of the heavy engineering complexes under its administrative charge, is greatly worried over this development. The order books of these units will be further affected and their internal resources position further stretched. There will also be some difficulties over supplies from the Soviet Union. The new schedule provides for no more than 1,500 tonnes of equipment from the Soviet Union during 1975-76, but earlier commitments had been entered into for delivery of 12,000 tonnes. The problem of payment can be taken care of in this case because these supplies will be partly covered by the rouble credit. But if deliveries of this order come in time, they will be much in advance of the new construction schedule for the project and would be "lying idle at the plant site".

The decision to phase out Bhilai expansion appears to have been influenced not only by financial stringency but also by the assessment of the demand for steel in the coming five years and more. It is being argued that the demand for steel will be much less than what had been anticipated at the time of planning the Bhilai expansion. According to present calculations, the demand in 1975-76 is assessed at 6.168 million tonnes. It is assumed that in the next two years the rate of growth of steel demand will be 2.5 per cent, which is a good indication of the official assessment of the state of the economy in the next three years, or so. It is only in 1978-79 that the rate of growth of steel demand is expected to go up to about 10 per cent. On this basis, the conclusion is that there will be an overall surplus of steel from 1975-76 onwards till the early eighties. It is, therefore, considered safe to phase out the Bhilai expansion.

Given this reasoning, it is not surprising that the other steel projects are all being given very low priority. The cold roll granulated sheets project, the slag granulation plant and the special steels plant — all at Rourkela — remain at the planning stage and only token financial provision has been made for them. All these are Fourth Plan projects.

Similar is the fate of the three steel projects in the south. In the case of the Salem project, where work has made some progress, the allocation of Rs 3 crores in 1975-76 is admitted to be barely sufficient to "freeze" the project at its present stage. It had been pointed out that just Rs 12 crores would be necessary to keep the project going, though the total cost of the project is estimated at Rs 518 crores and Rs 120 crores would be required to complete its first stage. This is an important special steels project with considerable import substitution potential. By proper phasing of the steel programme and judicious deployment of resources there is no reason why the minimum requirements of this project could not have been met.

So far as the Vijayanagar and Visakhapatnam plants are concerned, they have not yet been even approved by the Public Investment Board. The proposal for commissioning detailed project reports is only meant to be a sop to popular sentiment in the south. The idea is gaining ground that in any case it would not be right to launch the two projects at the same time and priority is proposed to be accorded to Vijayanagar over Vizag on the ground that the latter will be designed to produce flat products of which there will be no shortage till 1985-86, once Bhilai and Bokaro reach the 4 million tonne stage. But in the case of shaped products which Vijayanagar will produce, substantial shortages are expected from 1978-79 onwards. The decision, therefore, is to go ahead with the preparation of the detailed project report for Vijayanagar and hold it up in the case of Vizag project.

What stands out in all the pruning and paring of the steel programme is the absence of any overall design and perspective. The result is considerable wastage all round and under-utilisation of available capacities, material and human. The priority given to Bhilai and Bokaro essentially stems from the fact that Soviet technical and financial assistance is available for these projects. Another aspect of this style of functioning is the set-back suffered by indigenous design and engineering capability. Though Mecon, SAIL's subsidiary in the field of designing and engineering of steel plants, is formally associated with Bokaro and Bhilai, the projects are firmly under the control and direction of Gipromez in Moscow. In addition, Mecon is encouraged — as an associate of Gipromez with which it has a general purpose, omnibus collaboration arrangement — to monopolise the entire steel programme and push out all other agencies. The situation in this respect has greatly deteriorated in the past two years.

It is time the Steel Ministry and SAIL got down to making a serious effort to restore some perspective planning in the expansion of the steel industry and to mobilise all available expertise. The stringency of resources may make it difficult to provide for large new investments in steel, as in many other areas. It is all the more important, therefore, that whatever inadequate investment it is possible to make is planned with extreme care and fitted into an integrated long-range steel development plan which will make optimal use of resources — human, material and financial. SAIL's failure in this primary task is most glaring.

SCIENCE AND TECHNOLOGY

New-Look NCST

R S Ganapathy

MANY quiet but significant changes have been taking place on the science and technology scene recently. The Department of Science and Technology (DST) and the policy-making body, the National Committee on Science and Technology (NCST), have, like water, found their own level of effectiveness. The ambitious Science and Technology Plan prepared in 1974 with a total outlay of Rs 2,350 crores has been put in cold storage. The 1974-75 allocation was of the order of Rs 100 crores; though this is proposed to be raised to Rs 130 crores in 1975-76, in real terms the outlay would be much the same as in 1974-75. Given this level of expenditure in the first two years, there can be no question of the government seriously attempting to implement the Plan.

P N Haksar, Deputy Chairman of the Planning Commission, has also been named Chairman of the NCST. At the same time, the composition of NCST has been changed dramatically. When the NCST was formed nearly three years ago, the chief executives of various scientific departments had been deliberately kept out of it; instead second-level senior scientists were made members on the argument that they would be able to devote more time to the NCST's deliberations. This policy has now been reversed and the chief executives of various scientific programmes have been made members of the NCST. In addition, the Chairman of the University Grants Commission and the President of the Indian National Science Academy and the Secretary of the Department of Science and Technology have also been included. The NCST has also built up a small but reasonably good technical secretariat for policy-making and monitoring science and technology programmes.

The changed perspective is also evident from some of the recent comments by members of the NCST. A Ramachandran, Secretary of DST, has stated that "We basically look upon the NCST as a salesman. We are making out programmes and projects from the sectoral plans that have been prepared and then trying to sell them to the various ministries concerned. This is good because our main job is to create an R and D culture in the country, not become big bosses of science and technology". Haksar, in a recent statement, indicated that the funding of science and technology programme would not be the responsibility of DST but of individual ministries. DST would simply provide a co-ordinated approach. This was thought desirable, Haksar added, because (a) there would be no over-centralisation of funding and powers; and, (b) user involvement and users/R and D interface would be better.

However, when asked to fund science and technology programmes directly from their budgets, the Ministries have shown considerable resistance. Faced with the resource constraint, the Ministries may not give adequate priority to R and D programmes. This is particularly true in many traditional non-scientific ministries like Commerce, Industry, etc. When the S and T Plan was being prepared, the Ministries had assumed that the DST would be funding these programmes and had consequently tried to make the programmes for their respective areas as ambitious as possible.

Haksar has called for inter-sectoral and problem-oriented research and development, cutting across organisational boundaries. He has also emphasised the importance of utilising existing scientific technical capabilities built up over the last 25 years.

The DST, however, has to tackle a number of urgent tasks before it can become effective. As a result of the resource constraint, it is inevitable that the S and T Plan will be pruned. Addressing the Science Congress, the Prime Minister recently said, "the adjustments in the science and technology plan we are compelled to make will be more tactical rather than strategic. The core structure of the plan will be protected." So long as the S and T Plan remains an aggregation of the S and T components of the plans of different Ministries, protection of the "core" by itself means very little. What is really important is to look at the various sectoral plans and the corresponding R and D components. For example, if the outlay on health care programmes is to be reduced, health R and D would also be of a lesser magnitude.

Research in universities and the Indian Institutes of Technology is of a very poor quality. It is to be hoped that the inclusion of the UGC Chairman in the NCST would bring about a higher outlay on and a more effective programme of R and D in the educational institutions. It is widely acknowledged that unless the higher educational institutions in the country have strong R and D programmes, the quality of education itself will suffer con-

siderably. However, even the existing resources and facilities that have been built up in the educational institutions, particularly in the Indian Institutes of Technology, are not being utilised to the full because the requisite operational budgets are not being approved by the government. Haksar has drawn attention to this problem by saying that as far as scientific programmes are concerned, the distinction between Plan and non-Plan expenditure is artificial. Unfortunately, the government accounting system is expenditure-oriented and has a very short time-perspective. It is hardly useful for management control of long-term programmes like Research and Development. Hopefully, Haksar might initiate some changes in the funding and financial control of scientific programmes.

The new Chairman of NCST has also pointed out that efficiency of scientific research depends not only on successful projects but also on timely decisions to close down infructuous programmes. If this policy could be implemented, it would be a very bold step indeed. It is well known that there are several infructuous programmes and research projects started ages ago which go on and on. What often happens is that new programmes are started, forgetting the on-going programmes. This phenomenon is a major drain on the resources available for science and technology.

Haksar has also spoken of the organisational and managerial reforms that are so necessary to increase the effectiveness of our R and D organisations. In the past such reforms have been largely structural without any change in the organisational processes and culture. For instance, it has become a fashion to demand total financial autonomy and release from the clutches of the Ministry of Finance without accepting corresponding accountability. Every scientific organisation now covets the model of the Atomic Energy Commission, which has a Member for Finance (with the status of Secretary) who ultimately decides all financial matters instead of their being processed at various levels of the Ministry of Finance. The Electronics Commission and the Space Commission have been set up on this pattern. The other organisations are yet to achieve this 'distinction' and are clamouring for it. While autonomy in scientific organisations is vital, the inappropriate use of the AEC model would be disastrous. New innovations are called for to ensure autonomy consistent with accountability.

The role of science in policy-making has not advanced very much while science-policy making has become more and more sophisticated. Major economic and political decisions are still taken in the country without the benefit of scientific advice. The political parties have hardly any policy on science and technology. The Prime Minister has brought all the major scientific departments directly under her control but one is not sure whether she or the Cabinet use scientific advice at the highest level. The NCST has so far been concerned largely with matters within the science and technology sector. Paradoxically, when the Budget allocation for science and technology has been rising rapidly, the position of the Special Assistant to the Prime Minister for Science and Technology has been abolished after the previous incumbent took up another position. One hopes that this is not a step to devalue the role of science and technology in policy-making.

EDUCATION

Calling the Tune without Paying the Piper

G D Sharma

M D Apte

PUBLIC agitation in support of the take-over of private managed educational institutions in states like Kerala, Tamil Nadu and UP is a frequent occurrence. Irregularities such as non-payment of salaries, favouritism in appointments and job insecurity in the privately managed institutions are among the most common allegations against these institutions.

If the government had pursued its avowed objective of establishing a socialistic pattern of society, by now government control would have extended over the majority of educational institutions, especially as a great deal of public attention has been focused on the ills of privately-managed institutions. However, the accompanying Table gives a completely different picture.

The Table shows that the proportion of privately managed educational institutions actually increased from 37 per cent to 45.6 per cent during the period 1953-54 to 1963-64, while that of those managed by the government decreased from 64 per cent to 54.4 per cent. On the other hand, enrolment of students in privately managed institutions decreased from 35.4 per cent to 32.6 per cent, while that in government managed institutions increased from 64.6 per cent to 67.4 per cent.

The Table also gives the relative contribution of the three major agencies — namely government (Central, state and local), private bodies and students — to total educational expenditure. The shares in 1953-54 were government 67.6 per cent, private bodies 3.1 per cent and student 22.3 per cent. In 1963-64 the share of the government had increased to 75.1 per cent and that of private bodies and students had declined to 2.2 and 17 per cent, respectively. Thus, although private bodies contributed the least to educational expenditure, they controlled the larger proportion of educational institutions in 1953-54. The gap had actually further widened by 1963-64.

TABLE

	1953-54			1963-64		
	Per Cent of Total Institutions	Per Cent of Total Number of Pupils	Per Cent of Total Expenditure	Per Cent of Total Number of Institutions	Per Cent of Total Number of Pupils	Per Cent of Total Expenditure
Government	22.5	20.0	57.8	15.6	20.2	69.1
District Board	27.5	36.9	5.9	36.7	40.9	3.0
Municipal Board	3.0	7.7	3.9	2.1	6.3	3.0
Private Bodies						
Aided	33.5	31.6	3.1	43.9	30.1	2.2
Unaided	3.5	3.8		1.7	2.5	
Fees	—	—	22.3	—	—	17.0
Other sources			7.0			5.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Government of India, "Education in India", Ministry of Education, New Delhi.

BIHAR

JP's Real Mission

BIHAR has been regularly hitting newspaper headlines since the start of the movement headed by Jayaprakash Narayan. Reactions to JP's movement have been either extravagantly enthusiastic or very hostile, but the enthusiasm and hostility have not been based on an analysis of the character and aims of the movement.

To understand JP's movement we have to understand the situation in the country in general and in Bihar in particular. The country today presents a picture of a society which has little scope left for any kind of development unless the relations of production are qualitatively changed. The most important limiting factor on agricultural and industrial development is the system itself. The economic stagnation, the widespread famine conditions even in years of good harvests, the underutilisation of industrial capacity even when the industrial products in question are urgently needed, the mounting unemployment even when there is no dearth of natural resources which can be tapped for the benefit of the people — all these are manifestations of semi-feudal, semi-colonial production relations which have long outlived their relevance and have become a crushing deadweight on social development.

As for Bihar, the state has been reduced to a den of corrupt officials, politicians and landlords-cum-moneylenders. Two incidents from Palamau district may be mentioned in this context. Sachhidanand Prasad, a social worker of Ranka, had taken up cases of evicted tribals in 1969, when the state was under a non-Congress government. All his efforts for almost three years resulted in nothing; he could not get even a hearing from the concerned officials, despite the dozens of petitions he wrote to the authorities, including successive chief ministers of the state and the Prime Minister of the country. On the contrary, the evicted tribals were intimidated and Sachhidanand Prasad himself was beaten up and implicated in a theft and rape case. (He was later acquitted by the court.) The other incident involves Theodore Kujur, who was the only person who could read and write in his village, Humia. He used to help the people fight cases against moneylenders. So he was murdered. There was nothing mysterious about the circumstances of his murder; the only mystery was how the name of the suspect mentioned in the first information report was dropped in the charge-sheet submitted by the police (case No 189 of 1971).

Moneylenders and landlords get all sorts of official patronage and encouragement in their oppression and exploitation of the poor peasants, Harijans and tribals. This is vividly brought out by the survey by Father Saupin of Daho village in the Palamau area. A form of bond slavery, known as 'saunkia', is widely prevalent there. About the findings of his survey, Father Saupin wrote as follows in *New Republic*, in English weekly published from Ranchi: "In the saunkia system as practised here, if a man takes a loan of any amount, he will have to work for the moneylender as and when required till the loan is paid back. He gets a morning breakfast, a mid-day meal and two 'kachhi' seers (2½ lbs) of paddy, maize or dal. With this 'one seer' he will have to feed his family and pay back the loan. Salt, oil and other things are not considered. To further intimidate these poor people, if they absent themselves from work for any reason, be it sickness, marriage or visiting a relative, they incur a debt of Rs 2 for every day they are absent. They just cannot fight back and so bow under the inevitable and keep working. The only respite they might get is when there is no work with the man they are bonded to; then they can go out to work on contract labour, and even then, very often, a portion of their hard-won earnings are taken from them to pay back an ever-increasing loan over which they have no check . . .

"Let us take one village Daho (Thana No 122) where almost the entire village is bonded to about 14 moneylenders of Rakshi village (Thana No 123). (1) For a loan of Rs 175 a man has been working for 12 years. (2) For a loan of Rs 105 a man has been working for 16 years. (3) For a loan of 2 'pesari' (i e, 22½ lbs)) of jau (barley) a man has been working for 35 years. His son is also working for some four years now ...

'Like this, 14 people in Rakshi hold in bondage some 90 people from Rakshi and Daho. Some are set free when there is no work and they have to fend for themselves. Yes, they have to hunt in the jungles for edible roots, leaves and fruits or work on contract labour. And all of them are scheduled castes and tribals whose lands have been lost to those who have exploited their ignorance and natural simplicity. The loss of tribal lands is a sad story that blots our history after Independence — for after Independence the poor are being exploited with impunity, with little hope of redress because of the nature of the process of law."

The exploitation that goes on in the name of the saunkia system is not confined to Ranka or to Palamau district alone; it is there all over Bihar. Only, the brutality is less severe in the plains and in areas where the people are organised. The base for all this exploitation is provided by the extreme concentration of landholdings in the state. No less than 48 per cent of the rural population is landless. Of the total cultivating households, 72 per cent cultivate uneconomic holdings below 2 hectares. These holdings are, moreover, highly fragmented and the number of marginal and submarginal farmers is very large. According to the 1971 Census, Bihar has 6.806 million agricultural labourers, more than any other state. The total number of cultivators is 7.579 million. Thus the agricultural sector absorbs four-fifths of the total working force. Hence the low productivity of agricultural workers.

Also, during the period 1952-53 to 1969-70, the average growth rate of agricultural production was only 0.57 per cent per annum as compared to 3.1 per cent for the country as a whole. When this 'growth' is judged in relation to the increase in population, the economic decline of the people becomes apparent. Between 1964-65 and 1969-70, agricultural production actually declined by 1.8 per cent per annum against an increase of 1.4 per cent for the country.

The Chhotanagpur plateau in south Bihar is rich in minerals. It also has one of the richest forests in the country. But, despite the tremendous possibilities of development, mineral production has been declining and even where some growth is noticeable, it has been marginal. The condition in most of the industries is similar. The accompanying Table illustrates this.

This stagnation and decline has resulted in retrenchment and layoffs and consequently workers' unrest has been increasing. After a very long spell of demoralisation — because of the dominant influence of reformism in working class struggles and managements' and government's offensives — the working class has been gradually regaining its militancy and organisational strength.

Declining agricultural production, stagnation in industry and intensification of exploitation and oppression of the poor has been leading to the radicalisation of the rural masses. In the plains of north

Bihar, where concentration of land is very high, numerous mass movements and radical activities had started to gain ground. The vested interests in agriculture and in state politics were not unaware of these trends. Responding to their class needs, the government created more districts in order to check the growing radicalisation of the masses by tightening up the administration. Previously there were 17 districts and four divisions in the state; now there are 29 districts and five divisions and more are to be created. The old Gaya, Muzaffarpur and Darbhanga districts have each been divided into three parts and each part has been made a district. Similarly, the old Patna, Shahabad, Saran, Champaran, Bhagalpur and Hazaribagh districts have each been made into two districts.

Barring the old Hazaribagh district, almost all these districts had witnessed radical activities in the recent past. Many believe that the new districts were created precisely to better suppress such activities. The *Indian Nation* wrote in an editorial about the newly-created Madhubani district: "It has gained notoriety as the problem sub-division of Darbhanga district. Now it becomes a problem district of the state so far as the question of law and order is concerned . . . the situation started deteriorating just after the 1962 general election and by 1963 a general loot of property, dacoity and plunder sharted. Later, it went under ultra-Left influence. . ." The same has been the government's objective in creating more subdivisions. A Swatantra leader expressed "shock" at the fact that Dalsingh Sarai had not been made a sub-division. Dalsingh Sarai, he argued, "is on the borders of three districts and was a Naxalite zone . . . hence it deserved to be a sub-division to have a tighter control on the situation".

The government had attempted to consolidate the position of landlords and moneylenders, but the people had begun to fight them with renewed vigour. The incidents of Selibeli and Ghorbanki villages are cases in point. The *Indian Nation* wrote in an editorial on July 7, 1973: "While the Selibeli clash had occurred in the small hours of the day, resulting in seven deaths, the Ghorbanki incident took place at 11 a m, when a mob of 5,000 carrying CPI banners, bombs, crackers besides other lethal weapons attacked the house of a kisan and took away all that he had in cash and kind. The estimated loss was worth about Rs 50,000. His 70 bighas of land was grabbed by the armed mob and his ploughs and oxen were also taken away . . . Ghorbanki is only one in hundreds of such cases. In all, about 15,000 cases arising out of agrarian troubles are pending disposal in the district." What the paper did not write, for obvious reasons, was that the seven murdered at Selibeli were all Adivasi tenants who had dared to fight a landlord and that the incident at Ghorbanki was in retaliation against their murder.

The people in the towns were also getting restless. Almost everywhere the people had been agitating for grain at cheaper prices and declaration of famine. In many places the agitations had gone beyond 'accepted' forms and culminated in forcible seizure of hoarded grains, etc.

In short, long before Gujarat was aflame, Bihar presented a picture of a whole established order breaking down under the weight of the very values of loot and plunder by which it lives. On the one side, the exploiting sections were fighting each other to increase their share of the gains extracted out of the blood and sweat of the people and on the other an oppressed but restless people were raising their heads, discussing and debating all manner of issues and learning to resist force by force. The lines were slowly but surely getting drawn between the people and their enemies, at least in some of the rural areas. And the day did not seem very far off when the people would begin to learn how to keep together all their friends so that the enemy could be isolated and attacked.

Alarmed, the powerful vested interests, while still fighting among themselves, sent their SOS to Jayaprakash Narayan to keep the people's movements developing in the state within manageable limits and to subvert them from within. This is a role which JP has played more than once in the past. Though he has time and again declared his resolve to give up politics, he has never been very far from politics, especially when there has been the possibility of development of people's revolutionary activities.

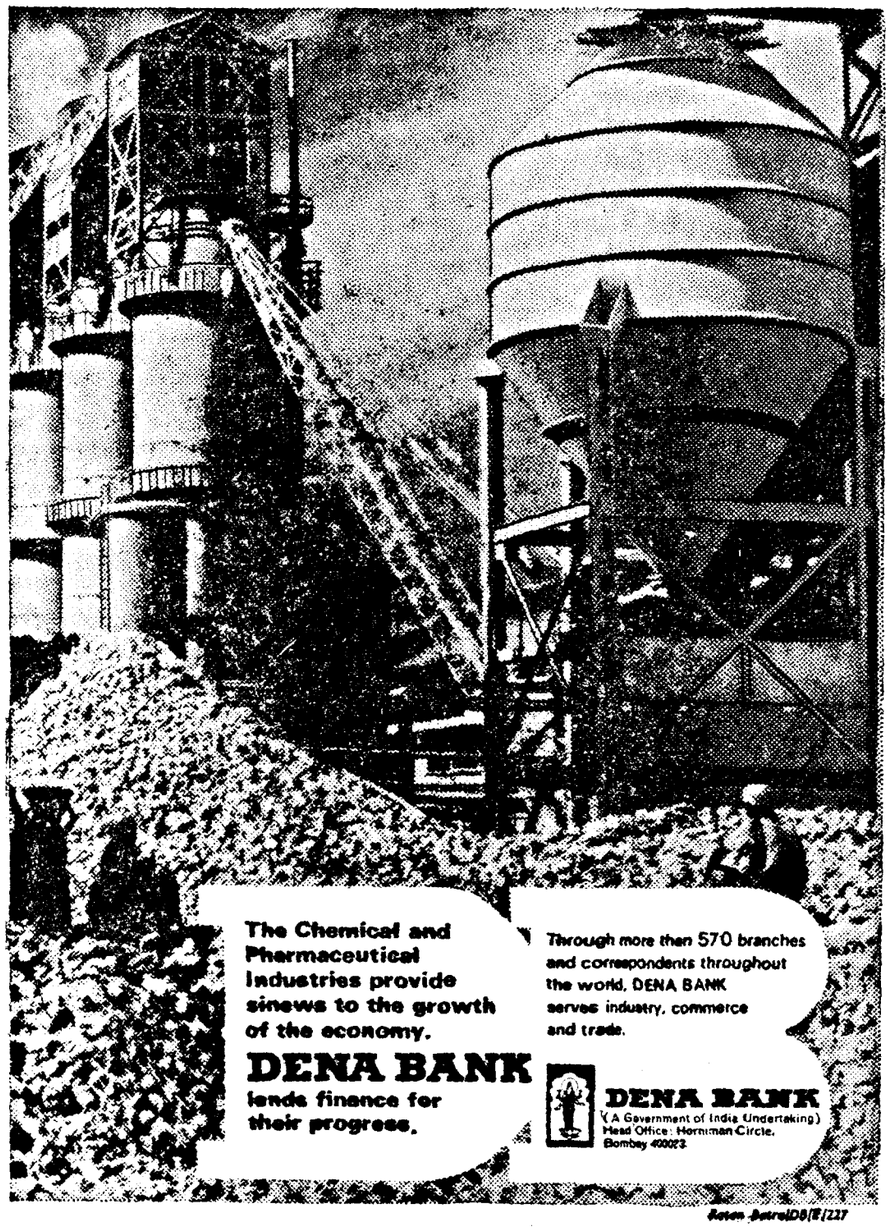
Long before he accepted the leadership of the so-called movement in Bihar, he had devoted a great deal of energy to countering Naxalite politics in the state. Wherever peasant masses rebelled against the crushing deadweight of the social set-up, he visited the areas concerned to pacify the masses. His efforts were used by landlords and moneylenders to shore up their sinking position. His public lamentation over the deteriorating conditions of the masses notwithstanding, JP all along resisted any effort by the people to change the social set-up by countering and defeating the violence on which the whole system is based.

Gandhi, through his leadership of the freedom struggle, succeeded in saving foreign and compradore Indian capital from the people's wrath. JP is trying to do the same. If there are differences between the tactics of the two, that is mainly due to the changed national and international situation. The people, therefore, face the same dilemma *vis-a-vis* JP's movement as they faced when Gandhi was leading the freedom movement. The communists had then followed the utopian line of trying to radicalise Gandhi's movement and had in the process completely abandoned their own initiative. At least then it could be pleaded that the world situation, and the Indian situation too, were not favourable for a revolution. Now even this argument for simple-mindedness does not exist. Today if one claims to be a revolutionary and supports what goes on in the name of JP's movement in Bihar, then one can do so only on the basis of complete falsification of the character and objectives of the movement.

TABLE: PRODUCTION OF SELECTED MINERALS AND INDUSTRIES IN BIHAR

	1966	1967	1968	1969	1970
Minerals					
Coals (mn tns)	31.18	3.05	32.19	35.22	34.42
Iron ore (mn tns)	5.37	5.52	5.78	5.35	5.69
Manganese (tns)	34,000	10.000	24,000	25.000	22,000
Mica (tns)	13.000	10.000	9,000	9,000	9,000
Dolomite (tns)	23,000	15,000	16,000	13,000	5,000
Stone (mn tns)	1.12	1.17	0.9	1.27	1.13
	1964	1965	1966	1967	1968
Industry					
Sugar (lakh tns)	2.39	3.92	3.71	2.11	1.47
Iron and steel:					
(a) Pig iron (mn tns)	1.87	1.96	1.17	1.23	1.11
(b) Steel ingots and metal for casting (mn tns)	1.93	1.97	1.89	1.30	1.23
(c) Finished steel (mn tns)	1.20	1.29	1.11	0.79	0.85

Source: "Bihar through Figures", 1971.



UNITED STATES

Women's Movement and the Economic Crisis

Renee Blakkan

THE International Women's Day this year is finding women in the US facing a great economic crisis and is seeing the women's movement at a historic turning point. Capitalism's cyclical overproduction in the midst of want has produced a crisis that is hitting all but a handful of women, from the middle classes to working women, those on welfare, students and housewives.

Nearly all the gains women have made in the last few years, particularly in obtaining jobs in heavy industry, are being wiped out. Social services, vitally needed to lighten burdens on the family, are disappearing. Added attacks, such as against the right to abortion, against the right of Black children to attend the school of their choice, and deportations and forced sterilisation, are hitting women with special intensity in the context of the general attacks raining down on the working class and particularly on the oppressed nationalities.

In the face of the crisis, there is no recognised leadership for the masses of the women in the US. The traditional women's movement, including the leaders of the spontaneous mass upsurge seen in 1959-72, have found their position eroded somewhat as they have confined their activities to working through legal, legislative and small-group 'self-help' actions for reformist aims. Working, minority and leftist women in the last few years have begun to play an increasingly greater role in the fight for equality, but are not yet leading the fight.

The crisis in the US has hit women in the following ways, many of which are the same as the crisis hitting men:

(1) Loss of jobs by men and women: The country's roughly 35 million working women have seen their paycheques eroded and thousands of others have lost their jobs. Typical "women's work" such as food processing, textiles, garment and light industry are among the hardest hit industries, and the less than 5,000 women around the country who won skilled and/or high paying positions in heavy industry such as auto and steel, or in communications, have found their gains entirely eliminated.

These breakthroughs, won mainly by filing suits based on civil rights legislation dating back to 1964, were important for the working class. Women working on the assembly lines, driving fork lifts, down in the coal mines, in the steel yards, were objectively strengthening the working class, showing that with some exceptions, women can do what men can and can fight equally for better working conditions.

But even these small gains are being wiped out and the women are seeing that their status as workers under capitalism — particularly where heavy industry and better-paying, unionised jobs are concerned — is as a reserve army of labour, called into the plants in boom times or war and thrown out again during crisis and slowdowns.

Eliminating women from industry means their return to the isolation and drudgery of the home, away from modern social production that raises their consciousness and makes them a militant part of the working class.

(2) The economic crisis hits all women, particularly working women, even when they are working. The overall inflation rate last year was 12 per cent while real wages fell 5.4 per cent. This struck working women with particular intensity, for since 1967 they have made an average of 61 per cent of men's salaries. Where the women were the sole support of their families, their wages could barely tide them along. Where their wages constituted a second income, it has been vitally needed just to maintain the family's real income. Black women continued to make the least of all, about $ 5,000 a year, showing that imperialism's racism is as strong as its sexism.

(3) The elimination of social services also has a special impact on women. President Ford is threatening cutbacks all along the line, having proposed earlier this year that the federal share of expenses for social programmes be reduced from the average 75 per cent (with state and local governments paying 12.5 per cent each) to about 60 per cent over a period of several years.

Since the state and local areas are screaming for funds from Washington, Ford is really talking about cutbacks. This means reduced children services (there is now space for only about 1 million children in publicly funded daycare services, when some 6 million children under the age of six have working mothers), welfare benefits, food stamps, medical, nutrition, dental programmes and more.

A new round of attacks on the country's 15 million welfare recipients has begun, with the government declaring that "too many cheaters" are on the rolls. With the majority of recipients women and children, the cutbacks here will harm them the most. The 17 million people receiving food stamps (up by 4 million in the last five months alone) constitute only 38 per cent of those eligible, a recent Senate study showed, adding that 20 million people should be getting them but are not.

This, too, hits women particularly hard. Every task and service performed or paid for by the State lessens her role as housekeeper. Every task and service that the family is forced to perform means extra work for the women, reducing them to "household slaves, striving with a desperate daily effort to feed and clothe their families on a few coppers, economising in everything but their own labour", as Lenin said.

(4) Abortion and sterilisation: While women in 1973 took a step forward when the Supreme Court granted the right to abortion, the right has never been shared equally by all women. Many states, cities and hospitals have refused outright or in practice to perform them. Other women could not get them or were forced to back-alley abortions (although on a drastically lower scale) because the cost of the simple operation was too much (ranging from $ 150 to $ 1,000 in general); and many women, particularly young poor and minority women, are either too afraid to declare they are pregnant until it is too late for an abortion, or don't know they are pregnant until it is very late.

The recent 'manslaughter' conviction of a Boston doctor for having performed a legal abortion in the fifth or sixth month of pregnancy was a victory for the forces led by the Roman Catholic church hierarchy, that have campaigned insistently against the right to abortion. At this time they represent a small but vocal element in the Congress and in many states, and their views do not represent the thinking of the dominant sections of capital.

From 10,000 to '150,000 'voluntary' sterilisations of women are reported every year. But a Ralph Nader report of several years ago indicated different forms of coercion are used in sterilising women in public hospitals in nearly every city. While many doctors perform forcible sterilisations under the impulse of their own reactionary, antiwoman, zero-population or racist beliefs, the Health, Education and Welfare Department recently lent direct encouragement to this practice when it proposed funding 90 per cent of the cost of sterilisation for the poor but only 10 per cent of the cost of abortions. This is a serious threat to the right of working-class welfare and minority women to bear children. For this method of funding assures that clinics and hospitals strapped for money will do their best to 'persuade' women to be sterilised rather than to receive abortions, to the financial benefit of the doctors, hospitals or clinics.

The threats to the right to abortion and the forced sterilisations are racist. Black and other minority women and poor women are the ones who cannot get abortions when they are illegal and who die in the greatest numbers from illegal botched abortions; and they are the ones who are bearing the brunt of the forced sterilisations.

The Equal Rights Amendment (ERA): Right-wing forces have been extremely successful in slowing ratification of the ERA which states: "Equality of rights under the law shall not be abridged by the US or by any state on account of sex."

This proposed amendment to the Constitution was approved by Congress in 1972 and sent to the states for ratification. If passed, the amendment would force the government and the states to examine all the laws on the books, eliminating all that discriminate on the basis of sex. In general where the law confers a benefit on one sex, the benefit is supposed to be extended to men. Where the law discriminates, it is supposed to be striken down. For example, the legal age for adulthood in many states is 16 for men and 18 for women. This would have to be revised, recognising women as adults at 16 years of age. A great number of areas would be affected, wiping out the often feudal-like laws that deny equality for women, such as in marriage rights, business rights, jury duty, prison sentences, alimony, divorce, child custody, job rights and other areas.

The ERA has created the most controversy over how it would apply to women on the job. Some say all protective legislation for women will be wiped out. Supporters say the states, the government and employers can be forced to keep protective legislation where it is beneficial and to wipe it out where it discriminates against women, as many overtime and weightlifting provisions do.

In 1972, 22 states vied with each other in efforts to be among the first to ratify. The next year, eight states approved the ERA. It was then, in early 1973, that right-wing groups began to mobilise to stop the amendment. Their efforts have showed some success. In 1974 only three states approved the ERA and so far this year only one, North Dakota, has passed it while five have rejected it. Four more must approve it before it can become law.

While most observers believe the amendment will pass this year or next (over 70 per cent of the people support the ERA, according to the latest polls), still the overall position of women is deteriorating in the face of the worst economic crisis since the great depression.

Who can lead the women in the face of the crisis? What is today known as the women's movement has lost its leadership of the masses due to its reformist character. Thanks to this movement, the consciousness of millions of people has been raised, "male chauvinist" having become a household world. The movement also first raised on a mass scale the demands that millions of women in the country still support and are fighting for — free universal childcare, equal pay for equal work and free voluntary abortions with no forced sterilisations.

Today there is no recognised national group that has the allegiance of the masses of women and which can lead them in this period of crisis. But new forces are rising. Their first appearance coincided with the rise of the spontaneous women's movement in the late 1960s, as Black and Latin women staged militant actions in cities across the country to defend and extend welfare benefits and daycare services.

In 1973, two nationally important victories were won by minority working women. Black women at the Oneita Knitting Mills in South Carolina won a union contract after a seven-month strike and Chicann women in the south-west won a union after a 22-month strike and national boycott. The women's movement, particularly the more advanced sectors of it, adopted these two battles as their own, seeing as very important the link between the general women's movement and the struggles of working women.

The influence of working and minority women on the women's movement, and *vice versa*, has grown rapidly. At the end of 1973 the National Black Feminist Organisation was founded in New York. In March 1974, the Coalition of Labour Union Women was founded, the first national working women's organisation to be formed in several decades. With 22 chapters and some 2,500 members, CLUW has the potential to influence and aid millions of women.

The influence of Marxist-Leninists on the working, minority and general women's movement has also been increasing. A Black Women's United Front was formed in Detroit this January, for instance. Here third world and multinational communist groups played a leading role in founding an organisation that has vowed to fight imperialism, capitalism and racism and to concentrate on organising Black working women.

It was in response to the growing influence of the women's movement in the US and abroad that the United Nations has proclaimed 1975 to be "International Women's Year". While not much is being done to publicise the year in the US, many countries particularly third world and socialist countries, see the year with its potential to promote equality for women as very important. Efforts in these countries are bound to make themselves felt in the US.

The new emerging forces for women's liberation are being seen in the March 8 activities this year. Nationwide, initiators of some of the largest celebrations of the international working women's holiday have been communists both from multinational groups and, for the first time on a significant scale, third world Marxist-Leninist groups.

In staging militant marches and rallies on behalf of women, raising women's special demands in conjunction with demands of the entire working class, these groups, joined by many anti-imperialist women's organisations and other groups, are raising the banner of women's liberation in a deeper and more thorough-going way than heretofore.

This is only an announcement and not a prospectus.

(Persons interested in full details may obtain copies of the Prospectus and Application Forms from the Registered Office of the Company, Brokers and Bankers to the Issue)

Tri-Sure®

TRI-SURE THE WORLD OVER®

TRI-SURE INDIA LIMITED (Incorporated under the Companies Act, 1956 on 12th February 1960)

Registered Office & Factory: Old B.P.T. Road, Mahul, Bombay 400 074.

Announcement regarding the issue of 2,63,680 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 7.50 per share.

An application will be made to the Bombay Stock Exchange for permission to deal in and for an official quotation of the Equity Shares of the Company.

HISTORY OF THE COMPANY

The Company was incorporated as a Private Company under the name of Indian Flange & Manufacturing Co. Private Limited on February 12, 1960. The name was changed to *Tri-Sure India* Private Limited on April 22, 1960. The Company was originally incorporated in West Bengal and subsequently moved its registered office to Bombay. The registered office and factory is located at Old B.P.T. Road, Mahul, Bombay 400 074. The Company is at present a wholly owned subsidiary of American Flange & Manufacturing Company, Inc., U.S.A. After the public issue, the shareholding of the foreign company will be reduced to 49% and the Company will cease to be a subsidiary of American Flange & Manufacturing Company, Inc., U.S.A. The fresh certificate of Incorporation dated February 24th, 1975 has been obtained on conversion of the Company into a Public Limited Company.

PRESENT ACTIVITIES

The Company is, and for a number of years has been engaged in the business of manufacturing and selling closure parts for industrial containers **under licensed trademarks and patents.** These TRI-SURE® closure parts include flanges, plugs and capseals which are applied to steel drums for transportation of petroleum products, chemicals, paints, vegetable oil and other liquid products.

The TRI-SURE flanges and plugs are sold to the container manufacturers and TRI-SURE insertion dies and tools are leased to them by the Company. *The TRI-SURE* capseals are sold by the Company to the filler of the containers, *such as the oil industry.* TRI-SURE plug wrenches are sold and TRI-SURE sealing tools to apply the capseals are leased to *such filler.*

Other types of closures such as TRI-SURE nozzles, caps and inner seals are sold to pail and can manufacturers and TRI-SURE insertion dies leased to them. Cap wrenches and inner seal applying tools are sold to the fillers.

All these TRI-SURE closures are designed to give maximum protection to the goods transported, and are manufactured in accordance with American Flange's world-wide standards for TRI-SURE closures which assure interchangeability with all other TRI-SURE closures manufactured in other countries of the world.

The Company has been exporting its products to countries of Middle and Far East and Australia. Approximately 30% of the Company's production during 1972-73 was exported. The Company has been informed by the *Export Promotion Council* that it has been awarded a certificate for outstanding export performance during the year 1973-74.

FUTURE PROSPECTS AND PROFITABILITY

The Company is a leading manufacturer of closures for containers. The products of the Company have a ready and wide market. With the increased availability of acceptable indigenous steel, the Company hopes to be in a position to increase its production of *TRI-SURE* flanges, plugs and capseals to meet the *growing demand of its market.*

The Company's operations over the present fiscal year are satisfactory. Barring unforeseen circumstances, it will be able to pay a dividend for the year ending August 31, 1975.

The Company proposes to apply to the Controller of Capital Issues for a consent to a bonus issue after the public issue is completed in accordance with the guidelines of the Controller of Capital Issues in this regard.

The Directors have under consideration the acquisition of additional land with a view to the construction of facilities for the extension of the Company's activities.

BOARD OF DIRECTORS

RICHARD L. PARISH, Jr., Chairman
S/o. Late Mr. Richard Laurence Parish
30, Rockefeller Plaza, New York, N.Y., U.S.A.
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Chairman & President:
American Flange & Manufacturing Co. Inc., U.S.A.; Tri-Sure Products Limited (Canada); Tri-Sure Japan Ltd.; Tri-Sure Argentina S.A.I.C.; Companía Mexicana Tri-Sure, S.A.
Member of Consultive Council
Tri-Sure S/A Industria e Comercio, Brazil.

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Member of Consultive Council
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Director:
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Tri-Sure S/A Industria e Comercio, Brazil.

CHARLES JAMES ESTLIN GRUNDY
S/o. Late Mr. Estlin Grundy
4B, Cowasji Jehangir Road, Bombay 400 005
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Partner: Messrs. Little & Co.

AJIT BABURAO KERKAR
S/o. Mr. Baburao Sakharam Kerkar
C11, Nowroji Mansion
31, Wodehouse Road, Bombay 400 001.
COMPANY DIRECTOR.

Director:
Tata Industries Pvt. Ltd.; Development Corporation of Konkan Ltd.; Oriental Hotels Ltd.; Indian Resort Hotels Ltd.; Kovelong Beach Hotel (India) Ltd.
Managing Director: Indian Hotels Co. Ltd.
Member of Managing Committee:
Indian Merchants' Chamber.

KOLKEBAIL SHANKER HEGDE
Managing Director
S/o. Mr. B. Manjaya Hegde
6C II Palazzo Little Gibbs Road, Bombay 400 006.
BUSINESS EXECUTIVE.

BANKERS TO THE COMPANY

BANK OF INDIA
70/80, Mahatma Gandhi Road, Bombay 400 001.
FIRST NATIONAL CITY BANK
293, Dr. D.N. Road, Bombay 400 001.

AUDITORS

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Chartered Accountants
Fazalbhoy House, 11 New Marine Lines,
Bombay 400 020.

LEGAL ADVISER

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Central Bank Building, Mahatma Gandhi Road,
Bombay 400 023.

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Tata Consultancy Services
Air India Building, Nariman Point, Bombay 400 001.

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BOMBAY

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	Face Value Rs.
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B. Issued, Subscribed & Fully Paid-up 2,53,336 Equity Shares of Rs. 10/- each. All these shares are held in the name of the holding Company, American Flange & Manufacturing Company, Inc., U.S.A., and its nominee	25,33,360
C. Present Issue 2,63,680 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 7.50 per share.	26,36,800
D. Out of the present issue 50,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 7.50 per share have been reserved for firm allotment to Life Insurance Corporation of India and Unit Trust of India in equal proportions	5,00,000
41,341 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 7.50 per share have been reserved for firm allotment to the Indian Directors and employees of the Company	4,13,410
E. Now offered to the Public for cash at a premium of Rs. 7.50 per share 1,72,339 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 7.50 per share (to which will be added the unsubscribed portion of the 41,341 Equity Shares reserved for firm allotment to the Indian Directors and employees of the Company)	17,23,390

TERMS OF PAYMENT

	Per share Rs.	
On application	6.50	(Rs. 2.50 on capital account & Rs. 4.00 on premium account)
On allotment	6.00	(Rs. 2.50 on capital account & Rs. 3.50 on premium account)
The balance in one or more calls to be made by the Board of Directors not later than 15th November, 1975	5.00	
	17.50	

UNDERWRITERS

This entire issue has been underwritten. The list of underwriters is as follows:

	Issue Price Rs.	Face Value Rs.
Life Insurance Corporation of India, 'Yogakshema', Jeevan Bima Marg, Bombay 400 020.	7,00,000	4,00,000
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The New India Assurance Company Limited, New India Assurance Building, Mahatma Gandhi Road, Bombay 400 001.	5,25,000	3,00,000
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Bhupendra Champaklal Devidas, Bhupen Chambers, Dalal Street, Bombay 400 023.	87,500	50,000
Amrit Lal Bajaj & Company, United India Life Building, F-Block, Connaught Place, New Delhi 110 001	84,682.50	48,390
	30,15,932.50	17,23,390

HOW TO APPLY

A. OBTAIN COPIES OF PROSPECTUS AND APPLICATION FORMS from any of the Brokers and Bankers, mentioned above and any other member of a recognised stock exchange.

B. COMPLETE AND SIGN THE APPLICATION FORM (applications must be for 50 shares or multiples of 50), deliver applications and cash 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.

C. OPENING DATE: April 2, 1975

D. CLOSED DATE: April 11, 1975
or earlier but not before April 5, 1975

ISSUE MANAGED BY

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PORTUGUESE AFRICA — III

Shape of Things to Come

Sankar N Maitra

"IT is not national unity that is at stake, but an imperial unity, and today's conscience does not accept empires." So said General Spinola in his book that has become famous "Portugal and the Future." But decolonisation is not an orderly Beating of the Retreat with everybody in step and no note out of tune. It is in fact a hurried and confused move in which the best laid plan goes all wrong. That the Portuguese are leaving their empire is now beyond doubt. But to predict the shape of things to come is not easy; the only thing certain is that somebody else's forecast is as likely to be wrong as one's own.

The trouble with decolonisation (which sounds so clean and hygienic) starts not so much before as afterwards. The British with their mystic faith in the Westminster type of democracy painstakingly try to teach the rules of the game — the Treasury Bench, the Opposition, Mr Speaker with his gavel, a non-partisan civil service. In all the ex-British colonies in Asia or Africa it has worked nowhere, with the questionable exception of India. On the other hand the Belgians in Congo or the French in Guinea made no attempt to prepare the Africans beforehand, but simply quit. The ultimate result has not been very different. Water finds its own level. Except pursuing their ancient civilising mission of remodelling the Africans in their own image, the Portuguese have made no attempt to train Africans to take up the reins of government. Even in theory the rights of Africans was not admitted. Marcello Caetano, who followed Salazar as dictator, has baldly stated, "Portugal does not accept in absolute terms the primacy of native interests." So as *swaraj* comes to Africans they will have to start from scratch.

What sort of political structure is likely to be built once the Portuguese have left the colonies? Here the answer is likely to be found from parallels elsewhere in Africa. Where there is a civil government it is a one-party state, under the direction of one person, relying heavily on a tribal base. Jomo Kenyatta of Kenya and his KANU (Kenya African National Union) relying on the Kikuyu tribe may be taken as the standard model. In the case of Angola there is the complicating factor of three groups contending for power: UPA (Uniao das Populacoes de Angola) of Holden Roberto, MPLA (Movimento Popular de Libertacao de Angola), of Agostinho Neto, and UNITA (Uniao Nacional para a Independencia Total de Angola) of Jonas Savimbai. For the present they have come together to get the Portuguese out. But after I-Day they are sure to fall out. Of the three groups Holden Roberto's UPA has the best chance to come out on top because it is better organised, has as its base the large Bokongo tribe, and is backed by the neighbouring state of Congo (Kinshasa). Moreover, while Agostinho Neto and his MPLA are thought to be left-oriented, no such label attaches to Holden Roberto. He is more likely to be backed by international corporations like Union Miniere, Gulf Oil and Tanganyika Concessions, who own and operate mines, oil wells, railways and plantations.

But that is the first round. Instability is endemic in western and central Africa. The common pattern is: President X is overthrown by General Y, who in his turn is supplanted by Colonel Z. Very little is involved in these coups other than occupancy of the presidential palace. Angola is a large country with a thin population and much wealth. Whether the successor regime will be nimble footed enough to walk the tight rope between African expectation and foreign economic hold remains to be seen. The great question mark is whether in the Portuguese colonies the change of masters will lead to significant social transformation and economic betterment for the people, or they will become captive states where the majority partners are foreign business interests and the minority partners a handful of townbred Africans.

The principal characteristics of the captive state are as follows:

(i) The urban and industrial sector is controlled by foreign business interests. Including dependents, it supports not more than 20 per cent of the population.

(ii) African agriculture remains at the subsistence level and on it depends 80 per cent of the people.

(iii) The townbred *assimilados* turn into a parasitic class of government employees whose only interest is to increase their numbers and their share of the national cake. In Congo (Kinshasa) salaries of civil servants account for 85 per cent of government spending.

(iv) As a result of the parasitic development of the African bourgeois, no educated or trained personnel is available for nation building activities, particularly in the countryside. For example, in Francophone African states all secondary school teachers are Frenchmen.

The glossy top layer of the system live in great style and ride expensive imported cars. The common people call them *Wabenzi*, folk who ride Mercedes Benz cars.

Fortunately, there is some chance for the Portuguese colonies to escape the pathetic fate of technically independent but actually captive states of sub-Saharan Africa. The chance is brighter for Mozambique where the nationalist movement was spearheaded by FRELIMO of Eduardo Mondlane. To begin with, while other ex-colonies got *swaraj* by deed of gift (like India) the Portuguese colonies had to fight for it. As areas were liberated by the guerillas, freedom came not only from Portuguese rule but also from native inertia and backwardness. Mondlane in his book "The Struggle for Mozambique" writes, "The battle against tribalism and regionalism is as important as the battle against colonialism, such a battle being the safeguard of our national unity and our liberty". In the liberated areas FRELIMO came face to face with the basic needs of the village African — food, clothing, and shelter. New land had to be put to cultivation, seeds and implements distributed, and co-operatives for marketing set up. With very few teachers at hand primary schools were started. With a sketchy medical staff rural health centres were begun. Perhaps the extent of actual achievement in the field has been exaggerated, but the really novel part of all this exertion was that it was started at the bottom where the need was the greatest, and done by the people themselves with little or no outside help. If this bias for the common man and accent on self-help can be kept up, Mozambique can become truly, and not merely in form, independent.

The process of decolonisation in Angola and Mozambique is complicated by the fact that there is a large white settler population of half a million Portuguese in the proportion of 2 in Angola and 1 in Mozambique. If the Portuguese, in spite of their theoretical attachment to a multiracial society, have not been able to achieve it in five centuries, the future African rulers are unlikely even to try it seriously, although slogans of equality may be aired for propaganda purposes. In Mozambique a sizeable Indian community of traders and white-collar workers will be affected by the change of regime. The big corporations will come to terms with the new rulers, and their well paid expatriate staff will not be touched. But what about the poorer Portuguese, artisans, shopkeepers, cultivators, who have been brought in large numbers mainly during the Salazar regime and settled mostly in agricultural colonies? They are poor by European standards and some work side by side with Africans.

The bulk of the Portuguese are first generation settlers with shallow roots. In a way they are wards of the government. Not only are they given assisted passages from Portugal, but are assigned land, livestock, housing, etc, on easy terms. Some of them have made good, others are struggling. It may be assumed that with the African takeover, the favoured and expensive treatment for Portuguese settlers will end. Without continued help many may not be able to carry on. Moreover, the earning of the land held by a Portuguese settler is 25 times that of an African. Would not his African neighbour covet it? For smaller jobs the story is similar. In Luanda a Portuguese carpenter gets $ 94 and the African carpenter $ 50 per month. A white electrician earns $ 90 and a black electrician $ 29 per month. Would not the latter try to get the other fellow's job at the higher wage?

It will be only realistic to assume that most of the Portuguese settlers would like to quit. But where to go? Their first choice naturally would be Portugal. But there is acute unemployment in the homeland. About one-and-a-half million Portuguese migrants work in the more affluent countries of the west where the demand is growing less with recession round the corner. There is also the problem of demobilised soldiery. The dumping of millions of uprooted cultivators and workers might lead to confusion in Portugal. A more promising field could be South Africa which is almost next door. A happy solution of the settlers future is crucial for the new regime in Portugal. The empire may be given away but not so the kith and kin. The Algerian example where the *colons* nearly brought about a civil war in France is too recent to be forgotten. A white backlash in Angola leading to a counter revolution in Portugal will remain a possibility.

The South African economy is becoming and could absorb a great many of the Portuguese settlers either in the agricultural sector in the Cape province or in the industrial complex in the Johannesburg-Pretoria-Verineeging triangle. In fact economic development in South Africa is hampered by labour shortage. This is partly due to government policy of restricting certain kinds of jobs (skilled) for whites and certain other kinds (unskilled) for blacks. If the Job Restriction Act is removed the Portuguese could fill either of the two categories according to their competence. The lack of colour prejudice of the Portuguese could bring a breath of fresh air into the closed and shut in racial atmosphere of the Republic. South Africa's relation with Portugal is friendly, and there is little doubt that Angola and Mozambique would co-operate if such a programme is taken up.

One immediate effect of the independence of Mozambique would be to seal the fate of the UDI regime of Ian Smith in Rhodesia. The one in twenty white minority regime has been able to continue for ten years because of the economic and military support of its neighbours, Portuguese Mozambique and South Africa. Rhodesia is a landlocked country. Its principal port is Beira in Mozambique, and its life-line the railway to it. Rhodesia could survive international economic sanction against it because its neighbours acted as "middle men". Most goods entering or leaving Rhodesia were shown as for or from Mozambique or South Africa. Thus the trade of Rhodesia with these two countries jumped from 26 per cent in 1965 (the year of UDI) to 85 per cent in 1969. These facilities and loopholes will now be largely closed. Rhodesia has a long boundary with Mozambique. The chances of Rhodesia's small white armed force holding out indefinitely against guerillas operating from bases in Mozambique are slim. In spite of the group rivalry between ZAPU (Zimbabwe Peoples Union) and ZANU (Zimbabwe African National Union), the emergence of an African controlled government in Salisbury is definitely on the cards. It is, however, difficult to forecast whether such a government will be of the Banda (Malawi) type favouring the whiteman or of the Kaunda (Zambia) type taking an independent African line.

The establishment of African governments in Angola and Mozambique will have serious repercussions on South Africa which is a "whiteman's country" with a blackman base. As Britain pulled out of Africa in the nineteen-sixties, South Africa emerged as the leading regional power in what is loosely described as Southern Africa. Southern Africa includes not only the client states embedded in the Republic, Lesotho, Swaziland and Botswana, but one independent black state, Malawi, and the white dominated regimes of Rhodesia and the Portuguese colonies. Apart from considerable military strength judiciously deployed, South Africa's overwhelming economic strength will be seen from the fact that out of the total GDP for the entire region of 17,302 million dollars, South Africa's share is 12,627 million dollars. Angola and Mozambique were pillars of the South African hegemony. De Villiers Graaf leader of the opposition United Party had declared, "Portugal is fighting South Africa's battle". It follows that Portugal's defeat is South Africa's loss. Present indications are that Prime Minister Vorster will put a good face to the change of regime in the Portuguese colonies and deal with them on the basis of "business as usual".

But the change is fundamental. Angola could well become a base for armed guerillas infiltrating into thinly populated and lightly held South West Africa. In Mozambique a large number of people depend for their livelihood on jobs in the Rand mines, and the government receives substantial revenues as transit and customs dues on South African goods passing through the port of Lorenzo Marques. So the new set up in Mozambique has to play ball with South Africa. But the very location of Mozambique next door to the heavily Bantu populated areas of the Republic extending all along the east coast from Natal to the Kei river in the Cape province poses a serious potential threat. Guerilla attacks from across the border may link up with black insurgency inside South Africa. The danger to South Africa has greatly increased and been brought much nearer home.

At the end of this dissertation we should return to the metropolitan country Portugal. How would the loss of African colonies affect it? At home it would hurt the textile and transport industries. There would be loss of export earnings to the colonies to the tune of $ 144 million a year. As against this the budget would be relieved of the heavy strain of maintaining the armed forces overseas which costs $ 216 million annually. In the long run there would be release of manpower and investment for expansion at home. As other ex-colonial powers have found, adjustment is possible. With its long coast-line Portugal's future obviously lies in becoming the beach resort of Europe. It will discard its rather tattered imperial mantle for a more befitting bikini.

A Levantine Diary

A M

LIVE and let live. Barter and be bartered. You take your mark-up, allow me mine. It is a game the Levanters have been playing since King Ahiram ruled over Byblos. They don't call the ancient capital Byblos any more; they can't afford to: it is, very properly, Ibeil, glory to Arab brotherhood. But such compromises do a power of good to the Levantine cause. The terraced majesty of Beirut could hardly be explained otherwise. Each fresh occasion your plane swoops low to make the landing, Beirut has added some new lustre: a dazzling block of office buildings, a *chic*-looking shopping arcade, a string of branches of American and European banks, a couple or so of night-clubs or casinos where the performers are, no kidding, imported straight from Las Vegas. Every year, the beaches become a little more indolent: they are nearly as good as St Tropez without its crowded vulgarity. In the restaurants, the cuisine is beyond reproach, heavily biased toward the French palate. In fact, many things around Beirut remind you of a France which had, once upon a not so remote time, a turbulent affair with Lebanon. They still talk in terms of *arrondisements*; you may be standing at the corner where rue de Rhin mingles with avenue Pasteur. Arafat and the Palestine Liberation Front have come; they are Lebanon's honoured guests; several hotels along the waterfront have been quietly taken over by the PLF. And there are other, innumerable dissident and quasi-dissident Palestinian groups who too are very much installed here, training commandos, dealing in guns and bombs, occasionally despatching hijacking parties from the base of Beirut's nervous airport. But live and let live, none of them bothers to question Lebanon's style of living; correction, the style of living of Lebanon's narrow elite. These are the rules of the game: we go about our own way making money and enjoying it, you go about making revolutions in other lands; we quite realise that, every now and then, you have to use our territory to send saboteurs across the border into Israel; we quite appreciate that, in retaliation, Israel will have to send their planes to bomb out villages on our side of the border, killing a few old men and women and goats and sheep; all right, gentlemen, you play your respective games, we humble people are not going to remonstrate with either of you; we can't afford to; even so, please, don't go too far while you are operating from our territory — or aiming at it; live and let live, we go our way, you go yours. This, plus some regulation obeisance to the Arab cause, and the Levanters sail through. They are beautiful people: dark hair, blue eyes, that suggestion of indiscretion halfformed around the lips, visiting American girls can hardly resist the charm of the Lebanese young men: alas, the latter lead away, but they seldom say a categorical yes, and they never say when. As for the Lebanese girls, their allure, it seems, is quite unreachable...

Live and let live. These are descendants of the Arabs who had taken to the sea. In the desert clime, you live by your wit, you barter your camel against a *bhist* of water, you barter two sickly camels against one sturdy one, you barter a quantity of dates against one shining dagger; you live by your wit, you chisel, chisel, chisel your bargaining manoeuvres, you squeeze value by pitting your stamina for bravado and bluffing against the other party's. You keep trying for a finesse; by trying over and over again, you develop an almost extrasensory perception; but the other party also does the same; so, very often, a checkmate, and always, hovering in the background, the menace of blood-letting. This teaches you to smile and smile and be a villain; after sundown, you break bread and share roasted lamb with this other party of nomads who converged from the easterly, or is it southerly, direction; you exchange pleasantries and heartily slap one another on the back; you exchange tales of Sheherazade and, under the naked stars, pitch your tents, next to each other's, and harness your camels; in the morning, as you stir out of your tent, it is wilderness all around you: they have departed, and your camel too is gone. Live and let live, they have taken your camel, but not your life.

The desert was over-crowded, some of these Arabs — those who were gradually being shoved off from their camels — took to the sea. Through the centuries, they had learnt the artifice of creating value out of exchange, the artifice was now extrasensory perception, they could now create value out of nothing, with the Levantine wit their only stock-in-trade. This has stood them in magnificent stead. The Levanters sailed away, across the seas and oceans, into the wide open world, they bought and sold, spot as well as future, whatever were purchasable and saleable; by their wit, they made some patently non-saleable things saleable; they could commit no bloomers in their purchases either. As intermediaries and commission agents, they traded in the good things of life; they handled the gold and the wine and the fineries; they traded in elegance, they developed sophistication; thus the wit of the desert came to be combined with other devices, or would you call them plain vices?

There was just one problem. The Arabs, given their nomadic roots, were always somewhat weak in Statecraft. The Levantines have been no exception. Or perhaps they had worked out their cost-benefit analysis and the so-called border price relativities: it was not worth the bother to exchange wit against sword; rather pay an occasional, perfunctory tribute, say your apologies and move away: live, and let live. So, in some hazy succession, came the Phoenicians, the Greeks and the Romans; Alexander came to Tripoli, perhaps went up to the Cedars; one or more of the Rameseses left behind temples and sarcophagi. Much, much later, as the Turkish Empire crumbled, came the French. They too left more than half-a-century ago, but there is still a whiff in the air, like the mild memory of an indiscretion: live and let live.

These Arabs became seafarers. Along with the elegance, some of them came back also with the Christian faith, denominations all assorted. Like the temporary alliances they were obliged to enter into at alien ports of call, this drift into Christianity could have been occasioned by the exigencies of circumstances, but by-gones are by-gones, and the denominations have stuck. Lebanon today thus has to maintain a cautious balance between the Muslims and the Christians, with the citizenry divided roughly evenly, and the constitution laying down that a Muslim President can co-exist only with a Christian Prime Minister, and *vice versa*. But that still does not permit you to contract out of the tribal oath administered, under the merciless glare of the desert sun, by the great, frightening fraternity of yore: once an Arab, always an Arab. So the Levanters too have to fall in line, mouth the regulation anti-semitism, cleverly orchestrate with the frenzy of others, and lodge complaint with the United Nations and the Department of State at Foggy Bottom about the international Zionist conspiracy. They cannot even afford to wink when they do so.

But how does it matter as long as the return is right. Live and let live, the Levanters do not protest when their land is used for mounting border operations against Israel; or when Beirut's airport is taken over by this or that group of Arab commandos, or when, in retaliation, Israeli planes demolish a few hundred old *souks* and a few thousand grazing sheep along their northern tracts. In any case, the poor who die or are rendered destitute by these raids do not matter very much; they never mattered in any century. On the other hand, you are well compensated for these embarrassments. There is a shining new Sheraton Hotel which has just come up in Beirut's city centre and must represent some substantial portfolio of second-order Jewish investment; much Rothschild and Warburg money, scrupulously laundered, must be servicing Lebanon's annual invisible earnings, running into close to a couple of billion dollars; the Playboy Club, another quasi-Jewish enterprise trading in human female flesh, exposes its proud *decolletage* as you drive north a couple of miles along the beach; attracted by Lebanon's Mediterranean glow, hordes of tourists — lots and lots of Jews amongst them — flock round the year: it is all right as long as you are not flaunting an Israeli passport. Neither the PLF, nor the other more radical terrorist groups, mind such dalliance on the part of Lebanon's ruling group. Take infidel's money, but don't betray the cause seems to be the operative formula.

And now, in the past sixteen months, by Baalbek and Beiteddine, it has been simply wonderful. The whole world is at the Arabs' feet, and petromoney is gushing all over. The desert Arabs, who have the oil underneath, come to the Levanters for brotherly advice on what to do with the money that is asprouting; who does not know that the Levanters know all the tricks? Those heathens and infidels, who — be they from the Americas, Europe or Asia — suddenly developed an amazing taste for licking Arab footwear, they too have to drop anchor at Beirut. The Levanters can provide them with a tip or two how to ingratiate themselves with the Sheikhs. But of course there is a service charge. There always is. So, as the months roll by, Beirut's terraced landscape will be studded by even more skyscrapers, its hotels will never be fuller its night spots will put to shade the undergraduatish capers at La Crazy Horse. American girls will descend in greater planeloads, allow themselves to be ravished, and, at the end of the blurred-out week, return to Wichita, Kansas or Bird City, Illinois to pine away the remainder of their mixed-up youth.

For, considering everything together, the Levant will remain the Levant; you cannot beat it at its own game. Kuwait may be lusher with petromoney, but it does not have the cedars and the grapes, the beach and the snow-covered ski slopes, the restaurants and the demure bikini-clad beauties. Alexander the Great stopped here. What choice have you?

REVIEW ARTICLE

Defence Expenditure: A 'Growth' Stimulant?

N J Jhaveri

RISING defence spending by governments in many developing countries (LDCs) is a fact of life. So is their underdevelopment. Historically, a major factor restraining growth in LDCs has been the paucity of financial and physical investible resources. Putting these premises together, one would conclude that LDCs could have attained higher growth rates had they contained their defence expenditure.

Such a conclusion is based on many assumptions. In the first place, it assumes that all defence expenditure is devoid of growth-inducing effects; secondly, that resources can be reallocated from defence to development, as desired; thirdly, that the level of internal resource mobilisation and the inflow of external resources are independent of the level of defence expenditure so that, even if defence expenditure had been lower there would not have been any change in the total availability of funds.

Are these assumptions and the conclusion derived therefrom justified? According to Emile Benoit ("Defence and Economic Growth in Developing Economies"), the answer is negative. On the contrary, he observes, "the statistical evidence pointed strongly to the conclusion that, whether or not defence activities had had *favourable* net effect on growth in the sample countries, they had certainly *not* had an *unfavourable* one" (p XX). Going a step further, Benoit suspects on the basis of statistical evidence, that defence, has had *positive* net growth effects for the 44 sample countries during the period 1950-65.

The growth-inducing effects of defence expenditure, identified by Benoit, go far beyond the generally conceded benefits such as those accruing to the (civilian) economy through the use of military roads, rail tracks, R and D, or participation of army personnel in fighting floods, etc. Benoit enumerates these and other similar beneficial effects but he notes, in addition, certain important favourable economic growth effects of defence expenditure. These are: aggregate demand effect of the Keynesian type, external resource inflow and domestic resource mobilisation, and the pursuit of expansionary monetary and fiscal policy. Benoit seems to suggest that, had it not been for the high level of defence burden (measured by ratio of defence expenditure to GDP, both at constant prices), aggregate demand, external and domestic resource availability, monetary and fiscal policy, all would have been on a low key — leading thus to low growth rate. While unable to "measure the weight of the favourable growth effects, ... we know that such favourable effects are real, and it seems reasonable to assume that they might be strong enough to create a net positive stimulus to growth, such as would be consistent with B (defence burden) being a positive growth factor in LDCs" (page 85).

While a particular level of defence expenditure in a country depends upon "threats it perceives to its security from the strategic environment" (K Subrahmanyam, *Economic and Political Weekly*, August 31, 1973), and, is essentially a political decision, any net growth-encouraging effects provide defence expenditure with a positive economic justification. Benoit's findings, therefore, merit examination. This review article makes such an attempt.

"Defence and Economic Growth in Developing Economies" by Emile Benoit; D C Heath and Company, Lexington, Mass, 1973; pp 326.

Adverse Growth Effects

Not that Benoit underplays the adverse growth effects of defence expenditure. He distinguishes, and statistically measures, loss in growth rate in real national product, GDP (or G in his notations), as a result of three types of effects, *viz*, investment effect, productivity effect and income-shift effect. Since effects on civilian GDP (CGDP or G) is the magnitude of primary concern, he measures the loss in growth rate of civilian output (used interchangeably with civilian GDP in the following paras) defined as 'GNP minus defence expenditure'.

Investment effect is easy to see. It measures the loss in civilian output resulting from absorption of investible resources in defence uses, by diverting them from their alternative civilian uses. Having estimated the extent of such diversion, the loss in growth rate is measured by dividing the quantum of diverted investible resources (measured as ratio of GDP) by the marginal capital-output ratio. For 44 LDCs, Benoit estimates annual average loss in growth rate of about 0.1 per cent on this account.

The productivity effect, which "is a much less obvious sort of effect" measures loss in growth rate due to loss in productivity (which he appears to define as capacity of a particular sector to bring about "further growth") attributable to "X factor" which is independent of capital inputs. Thus, assuming that a country maintains 5 per cent annual growth rate in its GDP after raising defence expenditure by 1 per cent of GDP, the annual growth rate in GDP would have been 0.05 per cent more in the absence of such diversion. That is, the actual growth rate would have been 5.05 per cent instead of 5 per cent. This is the measure of productivity effect.

Income shift effect represents reduction in the size of civilian GDP as a result of increase in defence expenditure. Unlike the other two effects, the income-shift effect is 'not cumulative' — in the sense that, while it reduces the civilian GDP during the year in which defence burden rises, it does not lead to a further decline in output.

Discussion of these effects could have been considerably simplified. While the income-shift effect represents annual loss in current civilian output as a result of rise in defence expenditure, both investment and productivity effects measure loss in potential civilian GDP on account of diversion of productive resources from (potential) civilian to defence uses. That is, while income-shift effect measures loss in civilian GDP out of a given total GDP (inclusive of defence expenditure), the other two effects denote civilian GDP which is *forgone* as a result of absorption of productive resources in the defence sector, instead of being used for producing civilian output.

At this stage, comments may be offered on the measurement of the income-shift effect. Benoit measures this effect by estimating the loss in terminal year civilian GDP as a result of income-shift (1.72 per cent in the case of India, as estimated by Benoit), divided by the number of years between the base and the terminal years (15 years in this case, yielding "cumulative" growth rate of 0.1 of 1 per cent per year). The question is, can the income-shift effect be measured in terms of the loss of civilian output only in the terminal year? Taking the defence burden in a base year as the bench-mark, an appropriate measure of the income-shift effect would be the deviation, each year, between the actual and the base year defence burden — because a positive deviation measures the current output not available for civilian use during that year. In the case of India, for instance, between 1951 and 1965 such deviation varied between +0.1 per cent of GDP (at 1958 prices) and +2.9 per cent of GDP; the mean of these deviations was 0.86 per cent of GDP. On an average, therefore, but for the income-shift, civilian output would have been higher by 0.86 per cent of GDP, each year, than it actually was. In terms of terminal year civilian GDP, if the defence burden had remained unchanged, the former would have been about Rs 450 crores more than it was at constant prices, and about Rs 800 crores at current prices. This would have constituted a 2.7 per cent increase over the actual civilian output in 1965. Likewise, loss in civilian output due to income-shift effect can be derived for other years from the level of GDP and deviation between the actual and the base year defence burden. Measurement of income-shift effect as equivalent to 0.1 per cent decline in growth rate in civilian output does not seem to be thus an appropriate measure of civilian output forgone every year.

While measurement of income-shift effect, in the manner suggested above, will considerably enhance the adverse growth effects of defence expenditure — even on Benoit's own reckoning — the combined adverse growth effects for 44 LDCs during the period 1950-65 were equivalent to a decline of 0.25 per cent in the growth rate of civilian output. This was as strong as 70 per cent of the favourable effect of rise in investment GDP ratio by one percentage point.

In the case of India, econometric analysis showed loss of 0.4 per cent per annum in the GDP growth rate between 1950-65 on account of increased defence burden (p 195). Diversion of relatively higher (than average) proportion of investment and foreign exchange resources — which would have otherwise added to the growth rate of civilian output — explained such a high adverse growth effect of defence in India. Opportunity costs of defence programmes, measured in terms of the proportion of defence procurement to gross value of manufactures (7 per cent annually, between 1962-63 and 1966-67) and in terms of foreign exchange absorbed or sacrificed (around 50 per cent of the economic resources obtained from abroad), were thus quite high in India. The adverse growth impact of defence will be more clearly appreciated if it is realised that, with the observed capital-output ratio of 3:1 in India, an investment rate equal to 1.2 per cent of GDP would have been required to bring about an increase of 0.4 percentage point in the annual growth rate of GDP.

"Despite the heavy opportunity costs and adverse growth effects of the defence programme" in the case of India, statistical analysis revealed a significant positive correlation (on a simple correlation basis) between the year to year changes in defence burden and the growth rate. "This association was particularly striking in the period 1961-64" when, according to Benoit, "the chief favourable factor" was the "vast inflow of foreign aid". He further states, "The heavy concentration of aid in this period clearly reveals that its intent was largely to help India surmount its military crisis; and India's willingness to step up its military efforts was undoubtedly a precondition for obtaining this help" (p 195). The categorical nature of these observations bears a strong imprint of Benoit's subjective interpretations.

Aggregate Demand Effect

On the whole, with regard to gross favourable growth effects of defence, Benoit seems to lay an unduly high stress on certain econometric results. For instance, the aggregate demand effect of the Keynesian type brought about by additional defence burden has been frequently referred to by him. According to him, this effect consists in drawing out "more total resources into use by expanding aggregate demand closer to full employment and full utilisation levels ..." (p 73). He attributes the positive correlation between defence burden and investment rate to, *inter alia*, the Keynesian 'accelerated principle'.

What is the evidence for the existence of such an effect? Benoit has noted a strong correlation between defence burden and growth rate in civilian output. Multiple regression analysis, with investment rate, defence burden, and bilateral economic aid as independent variables, and with growth rate in civilian output as the dependent variable, brings out that, during 1960-65, the defence burden was not only a significant determinant but was the strongest determinant of growth rate in civilian output in the 44 LDCs. Multiple regression analysis for the longer period — 1950-65 — brings out that investment rate is the strongest variable. Even after substracting the influence of investment rate, Benoit finds that defence burden is a significant determinant of growth rate in civilian output. Benoit is convinced that "the empirical evidence supports our contention that defence exerts an influence on growth not only directly but also through its influence on investment and foreign aid" (p 79). Dependence of external assistance on defence would suggest that, unless an LDC increases its defence expenditure, it would end up with lower economic aid. Foreign economic aid has military strings after all!

In regard to the Keynesian 'aggregate demand' effect, limitations of increasing employment in the LDCs through additional aggregate expenditure, are well known. More often than not, it is the limited availability of factors of production which are complementary to labour — especially capital, entrepreneurship, and managerial skill — that effectively restrain the scope for additional employment. In these circumstances, defence expenditure, by diverting more or less fully employed complementary resources or their most 'productive' segment, will have substantial adverse growth effects.

Benoit feels confident that he can make an observation on the basis of the Indian experience (during 1961-64), that defence expenditure liberalises monetary and fiscal policy — which, in turn, would "put more pressure on prices and motivate more intensive use of resources than would otherwise occur" (p 85).

Observation that the expansionary impact of monetary and fiscal policy was an aftermath of the 'Chinese aggression' does not find justification in fact. Money supply with the public increased by 29.4 per cent between 1956 and 1961 (fiscal years) as against by 9.6 per cent during the preceding five-year period. Deficit financing (defined as changes in short-term and long-term indebtedness of the government to the Reserve Bank of India), between April 1956 and March 1961, was Rs 954 crores — almost four times its level during the preceding quinquennium. The wholesale price index recorded a 35 per cent increase between 1956 and 1961 — i e, an annual average increase of 7 per cent.

Defence Burden, Inflation and Growth

As a matter of fact, Benoit generalises a significant correlation between the average defence burdens (leading to) annual rates of price rise between 5 and 15 per cent and the above average growth rates. To quote Benoit, "The heavier defence burden was not, of course, essential for raising aggregate demand and putting upward pressure on prices. Yet, the historic emergence of inflation in many countries, after assuming a heavy defence burden, suggests that there may be a cause-effect relationship" (p 86).

Benoit lists 10 countries — China (Taiwan), Colombia, Greece, Israel, South Korea, Mexico, Peru, Spain, Turkey, and South Vietnam — in which annual price rise was in the range of 5-15 per cent during 1950-65 and which had exceptionally high growth rates. These 10 countries carried a defence burden of 4.9 per cent on average — 50 per cent higher than the average of the other LDCs in the sample. It is interesting that, out of the 10 defence-inflation-growth countries, four, *viz*, Mexico, Colombia, Peru and Spain, had lower than average defence burdens; the rate of price rise in at least two of them was around 6 per cent — i e, below the mean price rise of 6.51 per cent. All these four countries had, on an average, investment GDP ratio above the average, although external resources in the case of each one of these constituted a very small proportion of GNP. Benoit puts the remaining six countries in the category of those LDCs "which maintain exceptionally large defence programmes and are willing to increase them when this appears to suit the interests of certain allies". This has been, Benoit observes, "instrumental in their obtaining far more liberal foreign aid than other countries" (p 80). Alignment, therefore, is the price to be paid for economic aid!

Investment rate, which, according to Benoit, is the strongest determinant of growth rates, was below 44 LDCs' average in three of these six countries (South Korea, South Vietnam and Turkey). The percentages of external resources to GNP in the case of South Korea and South Vietnam, however, were 17.31 and 17.88, respectively, compared to the average of 2.53 for the 44 LDCs. While the mean of the percentages of bilateral economic aid to GNP was 3.06 for 44 LDCs, that for South Korea and South Vietnam was 7.88 and 32.15, respectively.

Further, there could possibly be various other factors, more important than willingness to increase defence expenditure, which determined the large inflow of external resources and investment rate in some of these high-growth countries. Liberal tax incentives, offered by some of the Latin American countries, and tax rebates, offered by the US tax laws to profits derived by the US companies from their activities in less developed Latin American countries, could have been an important factor. Benoit's hypothesis of the 'cause-effect relationship' between defence-inflation-growth leaves out some of these important determinants.

In the case of India, the defence-inflation-growth link, noted by Benoit for 1961 to 1964, is totally absent during the subsequent years. Commenting on trends in defence expenditure and GNP between 1964-73 (fiscal years), Subrahmanyam (*ibid*) states, in total contradiction to Benoit's observations, that "Defence expenditure as a percentage of GNP seen together with the rate of economic growth does not show any correlation between the two". Between 1964 and 1973, average annual price rise was 7 per cent whereas the growth rate was 2.4 per cent. Since Benoit has frequently referred to the Indian experience during 1961-64, and has observed a strong correlation between defence burden and growth in 44 LDCs during 1960-65, it will be useful to note the following point about the C series (relating to 1960-65) and the A series (1951-65). While the defence burden, investment rate, and bilateral economic aid, for 44 LDCs were on an average more or less the same, during 1960-65 and the previous decade, growth rate during 1960-65 was noticeably higher than during the preced-

ing decade. For instance, the average growth rate during 1960-65 was 5.59 per cent compared with 5.24 per cent for 1951-65 as a whole. Thus, by implication, compared to the decade ending with 1960, the following quinquennium was a period of relatively higher growth rates. Viewed along with the fact that investment rate, defence burden, and bilateral economic aid, were constant during both these periods, the acceleration in growth rate during 1961-65 might be attributable to other factors — possibly good climatic conditions.

Willingness to Bear Burden

While explaining acceleration in growth rates during 1960-65 in India, Benoit has referred to 'greater willingness to make sacrifices'. The tendency of a community to rally round the government in times of foreign aggression and willingness to make sacrifices are commonly observed. Peacock and Wiseman ("The Growth of Public Expenditure in the United Kingdom"), in their analysis of the growth of public expenditure, indicated the displacement effect of wars which, according to them, changed popular ideas regarding the acceptable size of the public sector and tolerable burdens of taxation. A smart rise in the tax-income ratio in India between 1961-65 could be partly explained by this factor. However, but for the enhanced defence burden, what would have been the additional resource mobilisation effort and the inflow of external resources in India is difficult to say. Benoit's "empirical evidence" in this regard does not offer conclusive evidence for India.

There are reasons to believe that, even without the additional defence burden, resource mobilisation by the government would have been sizeable. Between 1951 and 1960, for instance, the tax-income ratio had increased from 5 per cent to 10 per cent. In the original scheme of financing the Third Five-Year Plan (1961-65), which was prepared in 1960, additional tax effort of the order of Rs 1,710 crores — equivalent to 23 per cent of the public sector outlay — was envisaged. The actual additional taxation at Rs 2,892 crores was considerably larger than this anticipation, but part of the difference was on account of the price rise. The Third Five-Year Plan had estimated external assistance of Rs 2,200 crores, whereas the actual amount was Rs 2,423 crores. If the price rise is taken into account, there is no evidence of increase in external assistance due to defence burden. It may be useful to note here, that the net inflow of foreign resources — measured as percentage of national income — was around 3 per cent both during 1956-61 (fiscal years) and 1961-66 (fiscal years).

One might even argue that, in the case of India, due to several political and other pressures revenue expenditure cannot be substantially curtailed; therefore, public sector investment expenditure has been the first victim of additional defence expenditure. To put it differently, the adverse investment effect of raising defence burden by one per cent of GDP, measured in terms of lowering the (potential) increase in growth rate through reduced public sector investment, was much higher than estimated by Benoit. Declining proportion of capital formation expenditure in the Central government's expenditure in the post-Third Five-Year Plan period bears out this point.

Further, for sustaining defence expenditure of a larger magnitude, additional tax resources have to be mobilised. Disincentive and other adverse economic effects of additional taxation, levied to finance the increased defence burden, have also to be taken into account. Moreover, loss in civilian GDP due to various adverse growth effects of defence and the resultant restraint on the standard of living might lead to social tensions which have to also be reckoned as one more adverse effect of defence.

Qualitative Aspects of Growth

Not only has Benoit totally omitted some of these effects, his concern with 'productive investments' would seem to suggest that, according to him, this alone constitutes the real opportunity cost of the defence burden. He even doubts whether, in reality, any significant portion of income not spent on defence goes into productive investments. "Most goes", he states, "into consumption, and much of the rest into social investment such as housing which may contribute more to consumer satisfaction than to increasing future production". His observation that, during 1962 to 1965, grants to states and other public welfare grants increased by 45 per cent — despite rapidly rising defence burdens — reflects a similar attitude.

Inadvertently, perhaps, Benoit has introduced qualitative aspects of civilian GDP into the discussion. He would appear to consider that 'social investment' and resultant consumption benefits do not form any significant part in development policy. This is contrary to the important proposition that increased provision of social services — like education, health care, etc — is a necessary constituent of growth, which is not measured solely in terms of 'production forgone'. In societies ridden with inequalities in distribution of income and regional disparities in development, satisfaction of 'merit wants' and grants to equalise regional fiscal capacities (see for instance, recommendations of the Sixth Finance Commission in India) are as important a part of the growth process as the 'productive investment'. Besides, social services like nutritional programmes, training, better health facilities, which are some of the 'consumption' items, improve labour productivity. Benoit does not take such effects into account.

Another qualitative aspect of growth is of considerable importance in the context of national economic planning. Conceding that some industrial investment is attributable to defence burden, the question still remains as to the extent to which the industry-wise pattern of such defence-induced investment coincides with the pattern envisaged under the economic plan. Industrial growth in certain directions (e g, textile industry), brought about by additional defence requirements, might coincide with what was envisaged under economic planning but there are likely to be large areas of industrial investment in respect of which defence and Plan priorities would considerably differ.

To sum up, the strong statistical relationship, observed by Benoit, between defence burden, investment rate, and growth rate, needs further investigation. Empirical evidence put forth by Benoit himself is not conclusive. His contention that, but for the defence burden there would not have been high growth rate, appears subjective — even political. One would be equally justified in holding the view that development impulses, arising from popular aspirations, would have, on their own, generated growth effects. Perhaps additional defence burden, as has been the historical experience, removed some of the growth barriers and pushed forward the growth process; but the cost of *diverting* resources from development to defence — in terms of civilian output forgone, distortion in pattern of investment, and reduced social consumption — are quite substantial. Benoit measures only part of these costs, making defence appear cheaper than it is; this is likely to delude decision-makers.

De-industrialisation in India Reconsidered

Raghabendra Chattopadhyay

This article discusses the findings of Daniel Thorner and J Krishnamurthy on the question of de-industrialisation in India during the early years of this century. The author also attempts an alternative measurement of changes in industrial employment and argues that the process of de-industrialisation continued right upto 1931.

I
Introduction

MANY economic and social thinkers in India in late nineteenth century were often critical about British economic policy in India. The prevailing opinion among the Indian (and sometimes also British) thinkers was that British policy in India was resulting in gradually worsening the economic condition of the 'natives'. William Digby[1] and Romesh Dutt[2] furnished statistical information to prove their contention. This view was, of course, opposed by most of the British officials in India. But the issue is yet to be decided.[3]

Daniel Thorner discussed the case of "de-industrialisation" in India.[4] The purpose of his study was to evaluate the notion of de-industrialisation in India under British Rule during the last phase of 19th Century. Thorner formalised, in the following manner, the opinion of economists, mostly Indian, who argued that India had suffered from the process of de-industrialisation at the hand of the British Rulers: "It is a three-fold proposition to the effect that the decine of handicrafts continued well on into the twentieth century, that it was not compensated by a sufficient rise of modern industry and that, in consequence, the Indian economy became more and more agricultural".[5] To test this hypothesis, Thorner based himself on the information available in the Census reports of 1881-1931. As an index he considered the male industrial working force as a proportion of the total working force and reached the conclusion that "the census data for males do not support the case either for absolute 'de-industrialisation' of the working force or even for relative 'de-industrialisation' ".[6] As an after-thought he suggested that "if indeed a major shift from Industry to Agriculture ever occurred during the British Rule in India, it might have happened some time between 1815 and 1880."[7]

Thorner's conclusion did not go unchallenged. J Krishnamurthy in his article, "Changes in the Composition of the Working Force in Manufacturing, 1905 to 1951 : A Theoretical and Empirical Analysis",[8] challenged the thesis on theoretical and empirical grounds. The aim of the present article is to show, first, that though Krishnamurthy argued from a wrong plane, Thorner did suffer from a faulty methodology and, secondly, to provide the reader with an alternative test of the hypothesis of "de-industrialisation" in British India.

II
Krishnamurthy and His Theory and Empiricism

Any discussion on "de-industrialisation" must define industrialisation. In Krishnamurthy's opinion, "Industrialisation means a rise in the share of manufacturing output per capita. This is historically associated with a rise in the share of manufacturing in the total working force. But a rise in the ratio of workers in manufacturing to total workers is neither a necessary nor a *sufficient condition* for industrialisation in any theoretical sense. By the same token, a decline in the share of manufacturing in total output or a decline in manufacturing output per capita, constitutes "de-industrialisation". A decline in the share of manufacturing in total working force is by no means a necessary or a sufficient condition."[9] With this definition or rather this "necessary and sufficient condition" of (de-) industrialisation, Krishnamurthy argues against Thorner that, "to show that the number or the proportion of working force engaged in manufacturing has remained roughly constant does not disprove the 'de-industrialisation' hypothesis".[10] But, "the hypothesis can only be tested with data on output in manufacturing and total output in the economy".[11] Moreover, he suggests that it is also necessary to know the capital intensity in the different branches of the industrial sector. A decline in the magnitude of the working force is quite compatible with a rise in output in the presence of increasing adoption of capital intensive technique. But, "at present, data on output in non-factory establishments is obtained largely through assumptions regarding output per worker in this section. As a consequence, neither the output nor the output per worker figures can be depended upon".[12] Krishnamurthy anyway evolves a highly "indirect measure of capital intensity". Using this technique he finds that " ... there was a shift towards higher capital intensity in Indian manufacturing, though the size of the manufacturing sector in India did not change significantly".[13] But after so much ado, he comes to an odd judgment : "the de-industrialisation hypothesis cannot really be tested",[14] and to him "the use of working force ratios to test this hypothesis is not a solution to the problem".[15]

As we suggested at the beginning of this section, the problem is one of definition and — we may also add — of fidelity in the experience of economic development. It is true that the manufacturing working force data alone do not give us a total picture of the level or degree of industrialisation. Any concept of industrialisation should consider the level and rate of change in output also. But what Krishnamurthy overlooks is that the output data — like the working force data — alone cannot give us any measure of (de-)industrialisation.

Let us first try to understand "industrialisation". The "necessary and sufficient condition" of Krishnamurthy is *per se* nothing but a symbol denoting the ratio between the manufacturing output and the total output. Here Krishnamurthy suffers from a severe eclecticism. Because, we can hardly understand anything from this ratio without considering the institutional-structural framework of the economy.

Apart from the usual index number problem associated with the measurement of the change in such a ratio,[16] there also exists the problem of ownership of the output. When (or if) the manufacturing sector in a colonised economy is in the hand of the impe-

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rialists then the output may be generated for the outside market. In such a situation any increase in output may not increase the net national income. The profit accrued from the sector may not be ploughed back into the economy. The other remaining source of income generation within the economy in such a case is the increase in the number of working force involved or an increase in the real wage of the working force. The real wage (or even money wage for that matter) may not rise in such an economy due to the pressure of unemployment and lack of working class organisation. So we will have to consider all these problems together with the "necessary and sufficient condition" of Krishnamurthy which is obviously not sufficient.

The argument put forward above is not hypothetical. In fact the studies of Gunnar Myrdal,[17] Celso Furtado[18] or A G Frank[19] amply describe the problems of "underdeveloped" countries where the emergence of "pockets" or "enclaves" of industries like tea, rubber, jute, coffee or minerals have resulted in economic retardation of these countries. We may also note that at the time of their inception these industries were more capital-intensive in these economies than agriculture or handicrafts.

The theoretical (and partly also empirical) problems connected with the definition or the criteria of industrialisation have been thoroughly discussed by Amiya Bagchi,[20] and R B Sutcliffe.[21] For us it is sufficient to note that we should connect the notion of industrialisation with that of economic development. Erection of a few factories may not carry any meaning to the economy if it does not lead to economic progress. Historically the period of industrialisation in the now developed countries was a period of rising manufacturing and total output with a rising industrial working force which absorbed the surplus agricultural population. As we have seen above, this is not only historically true but should be accepted as the "necessary and sufficient condition" even in a theoretical sense. Sutcliffe,[22] on the basis of empirical study, derived some criteria for the measurement of the level of industrialisation. According to his study, the level of industrialisation is shown by (i) the level of industrial output as a proportion of the GDP, (ii) the level of manufacturing output with respect to the total industrial output, and (iii) the level of the percentage of the population involved in industrial activities.

With the help of these criteria and as a conclusion to our discussion above I suggest that we can evolve the following criteria for the study of changes in an economy *vis-a-vis* industrialisation: (i) change in the NNP or National Income; (ii) change in the ratio of manufacturing output to the total output (or NNP) and (iii) change in the manufacturing working force with respect to total population. If all these three factors increase over the years, we can strictly define a process of industrialisation. Similarly, a decline in all the three factors will strictly indicate a process of de-industrialisation. On the other hand, a decline in the second or the third factor above, together with a constant national income (or NNP) will also indicate, a process of de-industrialisation.[23]

As far as the output parts [(i) and (ii) above] are concerned the information available for India is scattered and needs thorough research. But studies by Daniel Thorner on "long-term trends in output",[24] by S J Patel on "Long-term changes in net output in India 1896-1960",[25] and S Sivasubramanian[26] show that the national income in India remained more or less stagnant over the period of 1900-1940. So, if we can now show that the manufacturing working force declined over the period then we have a strong case for "de-industrialisation", unlike Krishnamurthy or Thorner.

III

Thorner's Study and Its Critique

As stated in the beginning, the purpose of the present article is to reconsider the study of "de-industrialisation". Let us first discuss, in brief, the methodology Thorner followed. To study "de-industrialisation", Thorner considered a period of fifty years — 1881 to 1931. He studied the census reports and tables published from 1881, the second All-India census, to 1931, the seventh one. Thorner divided the whole working force into five large groups: (i) Agriculture, Factory and Fishing (ii) General Labour (iii) Manufacturing, Mining and Construction (iv) Trade and (v) Transport and Other Services.[27]

He included "General Labour" in the agricultural category as the census tables do not mention the character of labour in which the workers in this group were involved. Thorner observed that "Agriculture" and "General Labour" usually showed an inverse relationship and this was due, in his opinion, to incorrect tabulation of the "General Labour" in the census operations. Many of the agricultural population were supposed to have been included in the "General Labour" group and when it happened "Agriculture" showed a decline and "General Labour" an increase. Hence he suggested that most of the workers defined as general labourers could not be agricultural workers only. He then, agglomerated "Trade" with "Manufacture", etc, and regarded this agglomeration as the Industrial Sector.[28]

Thorner had suspicion about the data returned in the census tables on female workers and hence he separated the data on male workers from those on females. "We shall be well advised to consider separately the data for males and for females in each census year and to disregard completely the 1881 figures for women".[29]

He then considered the male industrial working force as a proportion of the total working force and showed that this ratio remained more or less constant over the period 1881-1931.[30] The absolute number, as he formulated, also remained stationary. Hence, "The conclusion forced upon us by the census occupational data is that the industrial distribution of the Indian working force from 1881-1931 stood still",[31] and there was no de-industrialisation either in the absolute or in the relative sense.

My objection to Thorner is two-fold. First, Thorner was wrong in considering the ratio between the industrial working force and the total working force as the index of de-industrialisation. By taking the total working force as the denominator of the ratio, Thorner did not take into account the unemployed population and the dependants. The correct method would be to consider the industrial working force *as a ratio of the total population.* Even if the absolute number of the industrial working force does not rise over the period, the ratio between the industrial working force and the total population may decrease due to an increase in population over time. This phenomenon should be considered at least as a case of relative de-industrialisation.[32] The method is particularly relevant when the purpose is to study economic development through industrialisation. The important fact in this context (as I purport to show in the next section of this article) is that the industrial working force, when taken as a proportion of the total population, did continue to decline upto 1931.

My second objection is regarding Thorner's method of collation of data on the working force. Several objections could be raised regarding the method of grouping of data by Thorner. But we shall limit ourselves to illustrat-

ing only those which may have a direct bearing on his conclusion. We shall discuss only three points here. First, Thorner's handling of the data on General Labour is wrong. As we described above, Thorner includes workers under this heading in the agricultural sector. B R Kalra, as a census officer for Census 1961, calculated that about 20 per cent of the unspecified labourers were in the urban areas.[33] J Krishnamurthy in his article "The Growth of Agricultural Labour in India — A Note",[34] was also of the opinion that "there is certainly an argument against this [lumping 'unspecified' components with agricultural labour] as we do have evidence that a significant proportion of the unspecified belongs to urban areas".[35] Going through the census tables also we find that the agricultural labourers were separately listed and it has been mentioned clearly that the general labourers who were tabulated in the industrial categories were "unskilled non-agricultural labourers" or "unskilled labourers connected with earthen and other works". One gets the idea that these workers might have been connected with road building, railway, irrigation and other constructions and services.

Secondly, the idea of including "Trade" in the Industrial Sector is also erroneous. This is particularly so when the object is to study the process of (de-)industrialisation. Trading may not necessarily be an indicator of the process of industrialisation. The rising number of present day Calcutta hawkers and petty traders may, on the other hand, be taken as an indicator of the acute crisis of unemployment in West Bengal and the adjoining provinces. Moreover, the inclusion of Trade in the industrial sector also goes against the almost universal classification of economic activities into primary, secondary and tertiary occupations. We should also keep in mind that even the Clark-Kuznets type of formulation does not apply in the case of underdeveloped countries. Here, lack of employment due to the "development of underdevelopment" may force a portion of the population to the trading occupation. This can be hardly taken as a case of increasing economic activity.[36] So we conclude that Trade should be considered separately.

Thirdly, we do not find any reason not to take the data on female workers into account. A glance at Thorner's article will show that the foot-notes supporting his suspicion about female-data illustrate only from the Census of India, Report, 1881. Going through the census reports from 1881-1931, I find that although the census officers were taking increasing care regarding tabulation, none of them were sceptical about the female data for censuses other than the 1881 one. We do not have any *a priori* ground (excepting for 1881 and may be for 1891) to refuse to accept the data on female workers returned by the censuses. As far as the enumeration practice is concerned, both males and females might have been affected equally. Although historians may have to take resort to thoughtful conjectures in the absence of evidence, it is better not to be too assertive regarding the past and neglect concrete evidence when found. Regarding the nature of female occupation, Thorner seems to suffer from his Western view of economic activity. He puts emphasis on the word "economic" by putting it into italics. But the role of women in India, particularly in the small and household industry, cannot be minimised. In the census tables also we find that it was under these "orders" rather than in the large industries that comparatively large number of women were returned. We also know from the studies on Indian Cotton Textile Industry by different scholars that activities like cotton spinning and finishing of cotton cloth were often done by female labour.[37] Moreover, there is also a trend of decline of female participation in large-scale industry during the period of our concern.[38] On the basis of the above argument, I oppose Thorner's exclusion of female occupation from his consideration.

Thus far, I have put forward my objections regarding (i) Thorner's method of measurement and (ii) his method of tabulation. I shall try to present in the following section an alternative method of measurement and try to correct the mistakes of Thorner. This will lead us to a conclusion different from Thorner's regarding the problem of de-industrialisation in India upto 1931.

IV
Alternative Methodology

Our point of criticism against Thorner's method of measurement was regarding his acceptance of the industrial working force only as a ratio of the total working force. We have also noted why we should consider the *industrial working force as a proportion of the total population and not of the total working force* only. But before going into it we should make the reader familiar with the nature of (and the problems regarding) the information available.

Thorner considered a period of fifty years, 1881 to 1931. The method of census tabulation regarding occupation during this period changed from time to time. The reliability did not also remain the same. Particularly, the earlier census operations suffered from the lack of experience of the enumerators. It was only from 1901, the fourth census, that reliable data started to be returned. Thorner started from 1881 and concluded that the decline in industrial occupation upto 1931, shown in the census data as published, is mostly due to the highly "meretricious 1881 data".[39] The implicit assumption seems to be that if we do not pay heed to the 1881 figures the censuses would tell us a different story. As Thorner did not have any faith in 1881 data — and he was perfectly justified in his lack of faith — I have thought it better to leave them out. As far as 1891 data were concerned they were not only unreliable but also non-comparable with the later period census. Hence, we start from 1901. I shall not consider the period after 1931 because of the same reasons that Thorner had: 1941 census did not return any relevant figures due to war exigency and there was such a change in the method of classification of information since 1951 that it would be very difficult to compare the last three censuses (1951, 1961 and 1971) with the earlier ones.

The constraints that we impose upon us no doubt narrow down the field of our operation to only four censuses, *viz*, 1901, 1911, 1921 and 1931, ranging over a period of three decades only. But we shall see that the trends are sufficiently distinct to help us reach some conclusions.

A brief comment on the census report in general and the method of census tabulation may not be out of context at this point of our study. Our sources of information are the "Occupation" and the "Population" reports and tables published in the different census volumes.[40] Regarding occupation tables the first thing to note is that the method of classification differed from time to time. "In 1891 all occupations were divided into seven main classes as follows: A) Government, B) Pasture and Agriculture, C) Personal Services, D) The Preparation and Supply of Material Substances, E) Commerce, Transport and Storage, F) Profession and G) Indefinite Occupation and means of subsistence independent of occupation. "Subordinate to the seven above classes were 24 orders. These were further sub-divided into 77 suborders and 478 groups. In the ensuing censuses the main division into classes, order and sub-orders described above, remained practically unchanged. [In 1901 the number of classes was increased by one. The Class G of 1891 was divided into two. G retained "unskilled labour not Agricultural", and a new class H was formed of "Means of Subsistence Independent of Occupation."] In the case of groups, however, although the general arrangement was maintained, there were many alterations in detail. Some of the old groups were amalgamated or transferred to other sub-orders, while certain new groups were created with the object of distinguishing (a) workers from sellers and (b) workers in factories from these engaged in hand industry. The net result is to raise the number of detailed heads or groups to 520".[41] But objections were raised that the same occupations might be classified under different heads and the method was not adequate to distinguish the handicrafts from the factories.[42]

In 1911 a new method of classification was accepted. The new scheme followed that of the famous statistician, J Bartillon of France. In the new scheme, all the occupations were divided into four classes and twelve subclasses with sub-divisions going upto 499. The four classes were A) Production of Raw Materials, B) Preparation and Supply of Material Substances, C) Public Administration and Liberal Arts and D) Miscellaneous.[43] The ensuing censuses upto 1931 followed this new scheme with little change. Regarding our field of study the new scheme was better in that now traders were grouped separately under the order "Trade". This group consisted of (i) the "Commerce" Sub-Order of 1901 and (ii) the "Sellers", who in 1901 were included in the order showing "makers" also.

We shall now have a few words on the growth of population over the period of our consideration. The plague epidemic of 1899 to 1900 took a heavy toll of the Indian population, particularly in the rural areas.[44] The decline in the growth of population can be observed from Table 1.[45] This decline might have affected the industrial working force also by decreasing their number. In 1918 a virulent influenza epidemic broke out in Western India. The epidemic invaded India twice in a very short span of time and spread all over India and practically levelled off the natural growth of population of the seven previous years.[46] This can be also noticed from Table 1. The population figures from 1901 to 1931 are given in Table 2.[47]

TABLE 1: VARIATION IN POPULATION DURING 50 YEARS: 1881-1931

1881-1891	+33,418,341
1891-1901	+ 7,046,385
1901-1911	+20,795,340
1911-1921	+ 3,786,084
1921-1931	+33,895,296

TABLE 2: POPULATION OF INDIA, 1901-1931

1901	294,361,056
1911	315,156,396
1921	318,942,480
1931	352,837,778

The particular feature of this epidemic can be best discussed by quoting from the Census reports "... the first epidemic was most prevalent in urban areas but it was not of a specially virulent type and probably for that reason it is said to have affected the young children and old people most severely". In the second invasion "... the rural areas were more severely affected ..., mortality was specially high among adults (20-40), particularly among adult females".[48] We should remember here, that World War I did not affect the increase in population in India to any cognisable extent.

With this short review on occupation and population we may get to the main part of our discussion. We shall consider the "industrial working force" as only those who were directly and explicitly involved in manufacturing activity. To start with, we shall leave aside 'general labour' from our consideration. Our method of tabulation is outlined below.

The classification schemes in different census tables were not similar. From 1901 to 1921 the figures were, more or less, directly comparable. In all these three publications the occupation tables have figures showing 'Total Supported', 'Actual Total Workers' (male and female separately) and 'Dependants' (both sexes together).

In 1931, the tabulation method was changed. There we have columns as 'Total Following Occupation', 'As Principal Occupation', 'As Working Dependants' and 'As Subsidiary to Other Occupations'. The column 'Actual Total Workers' (male and female) include those who were 'partially agriculturists'. These were also shown separately. Now as agriculture was assumed to be the major alternative source of employment to a person employed in a non-agricultural activity so the term "partially agriculturists" was used in a weak sense to include all persons who accepted any other activity as a subsidiary occupation. Hence by adding up the figures in the column "As Principal Occupation" and the corresponding figures in the column "As Working Dependants" in 1931, we arrive at the data which are comparable with those of earlier years. The persons listed "As Working Dependants" included those with any subsidiary occupation.[49]

To obtain the data on industrial working force, I take the data appearing under 'industry' for 1911, 1921 and 1931. But I separate the 'Trade' figures from them. In 1901, the traders were not separated from the makers and so I separate them according to their occupation. I separate all the sellers from the "Industry" table in 1901. We also have figures for 'makers' and 'makers and sellers'. We retain them as actual workers in Industry since it will be impossible to separate the sellers from 'makers and sellers' figures. As the persons under this heading were apparently producer-sellers, we should consider them as working people in the manufacturing sector also (when they are given under the sub-order 'Industry'). We add all the 'sellers' with the persons involved in "Commerce" in 1901 census to form a table of "Traders" comparable to the figures given under the Trader sub-order in the later periods. These persons should in fact go to the services sector (*a la* Colin Clark).[50] The agricultural working force data are obtained directly from the census tables as the data do not need any correction. The data are given under the heading "Agricultural Forestry and Fishing" in the census tables. For the population figures I have considered the population under the age group 10-59 relevant for our operation. I consider this age-group

TABLE 3: INDUSTRIAL WORKING FORCE, 1901-1931

Year	Total, including Dependants	Actual Workers		
		Male	Female	Total
1	2	3	4	5
1901	44,075,981	11,467,465	5,957,769	17,425,234
1911	40,352,019	11,503,467	6,611,763	17,515,230
1921	33,167,018	10,658,372	5,040,001	15,725,373
1931	—	12,114,962	3,610,462	15,725,424

as showing the able-bodied population in India. The usual practice is to take the 15-59 age group. But in the underdeveloped countries age 10 is considered sufficient for the poorer section of the population to start working.[51] Anyway, I have observed that the consideration of 15-59 age group also do not affect our conclusion. Population figures are also taken from the Census tables.[52]

With the above knowledge and information regarding the occupation and the population, we shall now discuss the tables constructed below. These tables, are all constructed, as stated earlier, from the information available in the census publications from 1901 to 1931.[53] I have already stated my method of arriving at the figures given in the tables.

In Table 3 the space in the second column showing total industrial population including dependants remains vacant for 1931 because 1931 census does not supply us with information on dependants. We find in Table 3 that the number of total population dependent on "Industry" decreased from 1901 to 1921 but the figures giving actual total working force after a decline upto 1921 shows a tendency to move upward in the third decade, though the number remains much less than in 1901. The number of female working force anyhow shows a decreasing tendency upto 1931 (as shown in the 5th column in Table 3). But this fall in the number is compensated by a rise in the male working force in the 20's. This is an interesting phenomenon. One obvious conclusion is that the female workers were being replaced by the male workers in the large industries. At the same time as the total number does not increase (it is about the same in 1931 as it was in 1921), we should compare it with the growth in population.

Table 4 gives us the total population of India from 1901 to 1931 in column 2; columns 3, 4 and 5 give us the total population in the age group 10-59 and the male-female breakdown of this population. I shall consider this part of the population as the able-bodied population who may form the total 'army' of workers in the economy. (The reason for taking 10-59 age-group has been already discussed earlier.)

In Table 5 we consider the Industrial Working Force as a proportion of the total population and the population in the age-group 10-59. Here we find that whether we consider the total population or the total 'army' of the population who could join the working force, the proportion of the total workers occupied in Industry declines steadily over time. A glance at columns 5 and 6 will make the case obvious. The Industrial Working Force as a proportion of the total population (column 5, Table 5) declined from 5.94 per cent in 1901 to 4.5 per cent in 1931. The same working force when taken as a ratio of the total workers' army declines from 8.73 per cent in 1901 to 6.65 per cent in 1931.

To strengthen our finding from Table 5, we consider the male industrial working force separately in Table 6 where the same story is repeated. The male working force in Industry when taken as a proportion of the total workers 'army' (population in 10-59 age group) declines from 5.80 per cent in 1901 to 5.12 per cent in 1931 and when they are taken as a proportion of the male workers army the decline is from 11.15 per cent in 1901 to 9.86 per cent in 1931 — shown in columns 5 and 6 respectively of Table 6.

The information available from Tables 5 and 6 together clearly shows that contrary to Thorner's opinion the inclusion of data on female working force in the calculation could not be the reason of the declining tendency shown in the census data. It is true that our tables do not show any absolute fall in the number of female industrial working force, but, as I stated earlier, we should not exclude the female workers from our consideration. Anyway, the fact that the rate of industrialisation was not sufficient to absorb the increase in the able-bodied population in the economy is clear from the table. Moreover, the rate of industrial occupation was declining over the years even upto 1931; this is also evident from our table. In fact if we consider our information of industrial working force as a proportion of the total working force as formulated by Daniel Thorner, we find the same story being repeated once more.

In Table 7 we tabulate the total working force as given by Thorner[54] in column 3 against the total male industrial working force (as we found) in the second column. We then consider this male working force as a proportion of Thorner's total working force in column 4 and find that the

Table 4: Population (1901-1931), All-India

Year	Total Population	Population in the Age Group 10-59		
		Total	Male	Female
1	2	3	4	5
1901	293,377,300	199,694,721	102,897,683	97,125,782
1911	312,643,693	210,046,280	108,868,898	101,177,382
1921	315,350,442	212,201,356	110,540,657	101,660,699
1931	349,759,318	236,531,599	122,824,995	113,706,604

Table 5: Industrial Working Force as a Proportion of the Total Population and of the Population in the Age-Group 10-59

Year	Total Industrial Working Force (Male + Female)	Total Population	Total Population in the Age-Group 10-59	Per Cent of (2) to (3)	Per Cent of (2) to (4)
1	2	3	4	5	6
1901	17,425,234	293,377,300	199,694,721	5.94	8.73
1911	17,515,230	312,643,693	210,046,280	5.60	8.34
1921	15,725,373	315,350,442	212,201,356	4.91	7.41
1931	15,725,424	349,759,318	236,531,599	4.50	6.65

Table 6: Male Industrial Working Force as a Proportion of the Total Population in the Age-Group 10-59 and as a Proportion of the Male Population in That Age-Group

Year	Male Industrial Working Force	Population in the Age-Group		Per Cent of (2) to (3)	Per Cent of (2) to (4)
		Total	Male		
1	2	3	4	5	6
1901	11,467,465	199,694,721	102,897,683	5.80	11.15
1911	11,503,467	210,046,280	108,868,898	5.48	10.57
1921	10,685,372	212,201,356	110,540,657	5.04	9.70
1931	12,114,962	236,531,599	122,824,995	5.12	9.86

Table 7: Male Industrial Working Force as a Proportion of Total Male Working Force

Year	Total Male Industrial Working Force	Total Male Working Force	Per Cent of (2) to (3)
1	2	3	4
1901	11,467,465	93,607,000	12.25
1911	11,503,467	97,333,000	11.82
1921	10,685,372	95,734,000	11.16
1931	12,114,962	100,179,000	12.09

Table 8: Total Male Working Force as a Proportion of Total Population and Population under Age-Group 10-59

Year	Total Male Working Force	Total Population	Population in Age-Group 10-59	Per Cent of (2) to (3)	Per Cent of (2) to (4)
1	2	3	4	5	6
1901	93,607,000	294,361,056	199,694,721	31.80	46.88
1911	97,333,000	315,156,396	210,046,280	30.88	46.34
1921	95,734,000	318,942,480	212,201,356	30.02	45.12
1931	100,179,000	352,837,778	236,531,599	28.39	42.22

Table 9: Male Agricultural Working Force as Proportion of Population

Year	Agriculture, Forestry and Fishing	Total Population	Population in Age-Group 10-59	Per Cent of (2) to (3)	Per Cent of (2) to (4)
1	2	3	4	5	6
1901	64,148,000	294,361,056	199,694,721	21.72	32.12
1911	70,244,000	315,156,396	210,046,280	22.26	33.44
1921	69,646,000	318,942,480	212,201,356	21.84	33.82
1931	72,197,000	352,837,778	236,531,594	20.46	30.53

percentage declines from 12.25 per cent in 1901 to 12.09 per cent in 1931. The story remains the same: the ratio shows a steady decline upto 1921 and though it picks up again during 1921-1931 the proportion is still less than that of 1901.

We can also show that even Thorner's data on male working force declines steadily as a proportion of the total population of the total 'workers army' as we formulated (Table 8). This requires us to observe the nature of the agricultural working force also.

As Table 9 shows, the agricultural working force[55] also shows a declining tendency (except for 1911-1921) as a proportion of either the total population or the workers army. This observation gives us an even grimmer picture. Thus it was not only that the industry was showing a declining rate of absorption of population but agriculture also showed the same tendency. It may be observed that in the Tables above, where I considered Thorner's data, I have always stuck to only the male working force. This shows that the number of females could not disturb the picture as Thorner supposed.

One main item we have left out is "general labour". We shall take it up in a short while. We have also left out traders and persons involved in Transport, Communication and Storage — the tertiary sector. Persons involved in mining and quarrying were so small in number that they could in no way change the rates. The census estimates in 1961 give the figures as 116433, 296968, 325867, and 21548 for 1901, 1911, 1921 and 1931, respectively.[56] About traders in the tertiary sector we can say that though the absolute number shown by Thorner increased from 5044000 to 5659000 in 30 years from 1901 to 1931, it can be found that the percentage of traders to the total population decreased from 1.71 per cent in 1901 to 1.6 per cent in 1931. The same is, in fact, true for the whole of the tertiary sector. This would give us an idea of the nature of the unemployment problem during the time.

We have not discussed 'general labour' yet. If was my contention that wrong inclusion of General Labour was one of the factors behind the conclusions Thorner reached. This can be corroborated from the 1961 estimates also.[57] The Census estimates are made on the basis of a *pro rata* distribution[58] of workers tabulated under the heading "general labour" among the different sectors. In fact if we consider the tables given by B R Kalra in the appendix to the 1961 census publication we can come to the conclusion that all the hypotheses that Thorner tried to disprove are strongly proved by the estimates. The method of estimation is as rigorous as the data would permit and I find no reason to refuse to accept them.

For the sake of brevity, I submit the substance of only one table showing Kalra's estimates[59] (Table 10).

In Table 9 we find that all the sectors show a more or less steady decline. This is particularly true for the secondary sector, which is more important in our case. The Non-Workers on the other hand, showed an *increase after 1911*. As I stated earlier, Kalra's estimates corroborate my findings.[60]

V
Conclusion

In this article we have discussed the work of Daniel Thorner and J Krishnamurthy regarding the de-industrialisation in India during the early years of this century. In the fourth section of this article, we resorted to an alternative measurement of the change in industrial employment. On the basis of our findings we observe that the process of de-industrialisation did continue even upto 1931. We have tried to show that Thorner was mistaken in his inclusion of "General Labour" and "Trade" in the Industrial Working Force and his exclusion of Female Working Force. We have also shown that Thorner was incorrect in his method of measurement of "relative de-industrialisation". Instead of considering the total population he considered only the total working force which itself was relatively declining over the period.

We have not measured the changes in manufacturing output. Krishnamurthy tried and failed. We have evidence from the study of a number of economists on national income accounting that the net national product or the national income in India, did not increase in the period. Evidence may also be reproduced to show that the real wage of the Indian workers did not increase in the same period.[61] These facts together with the evidence of a declining working force and a declining industrial working force (in the relative sense from our

measurement but in the absolute sense from Kalra's estimates) lead us to conclude that personalities like William Digby or Romesh Dutt were perfectly justified in holding the British rulers in India responsible for the economic plight of the Indian people. We may safely argue that the Indian economy even during the early quarter of this century was characterised by a stagnant (if not declining) agriculture and service sector and a declining manufacturing sector with an increasing population and hence declining economic activity. This perhaps also means that the degree of unemployment was ever increasing.

Notes

[I am grateful to Amiya Bagchi for his guidance and inspiration. I have also drawn much benefit from discussions with many belonging to the Centre for Studies in Social Sciences, Calcutta, and my friends in *Anya Artha*.]

1 William Digby, "Prosperous British India — A Revelation from Official Records", London, 1901.
2 R C Dutt, "Economic History of India in the Victorian Age", London, 1906.
3 Bipan Chanda and Taru Matsui had to oppose M D Morris in as late as 1960s. See Tapan Roy Choudhury (ed), "Studies in Indian Economic History", Delhi, 1972.
4 The discussion has been included as a Chapter in the book "Land and Labour in India" by Daniel and Alice Thorner, Asia Publishing House, 1962, pp 70-81.
5 Thorner, *op cit*, p 71. Apparently Thorner formalises the opinion of the personalities like R P Dutt, A S Silvankar, and Colin Clark. See Thorner, *op cit*, pp 70-71 and footnote 1, 2 and 3 of Thorner's article.
6 *Ibid*, p 76.
7 *Ibid*, p 77.
8 Published in *Indian Economic and Social History Review (IESHR)*, Vol IV, No 1, March 1967.
9 *Op cit*, p 2.
10 *Ibid*, p 3.
11 *Ibid*.
12 *Ibid*.
13 *Ibid*.
14 *Ibid*, p 15.
15 *Ibid*, p 3.
16 Output in the aggregate sense is a vector and hence what Krishnamurthy can at all measure is the ratio between the value-products of the manufacturing sector and the national income. The value-product will depend, among other things, on the terms of trade between the agricultural sector and the non-agricultural sector. Production stagnancy or decline in the manufacturing sector will not be reflected in the ratio or in the change in it if the agricultural sector faces a decline at a more rapid rate (than before — if there was any — or) compared to the rate of decline of manufacturing output. The ratio of manufacturing output to the total may also be overstated in domestic money terms if through high tariff protection and monopoly, industrial prices are inordinately high. All the above possibilities are particularly probable in a colonised economy.
17 "Asian Drama", Pelican Books, 1968.
18 "Development and Under Development", University of California Press, 1964.
19 "Economic Development of Latin America", Penguin, 1971.
20 "Some International Foundations of Capitalist Growth and Under Development", *Economic and Political Weekly*, Special Number, Bombay 1972.
21 "Industries and Under Development", London, 1971 (particularly pp 16-18).
22 Sutcliffe, Industries, etc.
23 Other possibilities are not required in our discussion.
24 Thorner, "Land and Labour", p 82-112.
25 Included as a chapter in S J Patel, "Essays on Economic Transition", Asia Publishing House, New York, 1965. Patel gives an account of the studies by other economists also. A K Bagchi also gives a short review in the introduction to his book "Private Investment in India, 1900-1939", Cambridge University Press, 1971.
26 "National Income in India 1901-1947" by S Sivasubramanian, mimeographed, Delhi School of Economics, 1965.
27 Thorner, *op cit*, p 75.
28 *Ibid*.
29 *Ibid*, p 76.
30 *Ibid*.
31 *Ibid*, p 77.
32 To support my view the works of Amiya Bagchi may be cited here. Bagchi in his study: "De-industrialisation in Gangetic Bihar, 1809-1901 and its Implication" (to be published in "Essays in Honour of Susobhan Chandra Sarkar") follows the same method.
33 *Cf*, "A Note on Working Force Estimates, 1901-1961", by B R Kalra, Research Officer, Office of the Registrar-General India, Census of India, 1961, Appendix-I.
34 Published in *Indian Economic and Social History Review*, Vol IX, No 13, September 1972.
35 *Ibid*, p 328.
36 The 1961 census also helps us in this regard. The report suggests that shifts from agriculture to non-agriculture may be due to either (i) population growth or (ii) economic growth. The authors of the report judge that the first kind of shift is reflected in the strengthening of the number of workers in the traditional sector rather than in favour of other sectors. There we will have to consider Trade and Commerce in its association with other sectors. If an increase in Trade and Commerce is associated with an increase in traditional sectors like cultivation, livestock, forestry, fishing, mining and quarrying, etc, and household industry then it will indicate a shift due to growth in population and not due to economic development. On the other hand, a rise in employment in trade and commerce with an associated rise in non-traditional sectors like non-household industry, etc, indicates a rise in employment of the second type. *Cf* "Relationship between Patterns of Shift from Agriculture to Non-Agriculture, 1951-1961 and the Levels of Development", Census of India 1961, Vol I, Part-I, A(i), Ch V, p 265.
37 M D Morris, "The Emergence of an Industrial Labour Force under Industrial Capitalism, A Study of Bombay Cotton", Bombay, 1965, *passim*.
38 See Table 3 below.
39 Thorner, *op cit*, p 77.
40 Census of India 1881 and 1891. Reports and Tables. Census of India 1901 Vol I, Part I, (Reports) Part II (Tables). Census of India 1911 Vol I, Part I, (Reports) and Part II (Tables). Census of India 1921 Vol I, Part I (Reports) and Part II (Tables). Census of India 1931 Vol I, Part I, (Reports) and Part II (Tables).
41 Census of India 1911, Vol I, Part-I, Chapter XII, Para 507-509.
42 *Ibid*, para 510.
43 *Ibid*.
44 Thorner, *op cit*, p 87, Census of India 1901, Vol I, Part I (Reports).
45 Obtained from Census of India 1931, Vol I, Part II (Table II).
46 Census of India 1931, Vol I, Part I, p 10.
47 *Op cit*, Table 1.
48 *Loc cit*.
49 This has been suggested in the Census Report, *cf*, Census of India 1931, Vol I, Part I, (Reports), page 273, para 112. The term 'Actual Workers' is used with respect to all workers in principal and dependent occupations excluding the number of individuals duplicated by those appearing also as earning by means of subsidiary occupations".
50 As there has been a controversy over the inclusion of "Mining and Quarrying" in the secondary sector (*Cf* Colin Clark, "Condition and Economic Progress"), I do not include them in the manufacturing sector. But because of the small size of the sector, 'mining and quarrying' during the period, its exclusion would not affect the conclusion.
51 The Factory Act of 1881 had fixed the lower limit of employing children at seven years. The working hours for children in the age-group 7-12 were fixed at nine. The Factory Act of 1892 increased the lower age limit to 10 years which was retained in the 1912 Act. *Cf* D R Gadgil, "The Industrial Evolution of India in Recent Times", Oxford University Press, 1948.
52 *Loc cit*.
53 See footnote 40 above.
54 *Op cit*, pp 78-79, (Table 1).
55 Taken from Thorner, *op cit*, pp 80-81, (Table 1).
56 Census of India, Paper Number 1 of 1962, Appendix-I, "A Note on Working Force Estimates 1901 to 1961" — B R Kalra, Registration Officer, Office of the Registrar-General, India.
57 *Loc cit*.
58 J Krishnamurthy has an objection to this *pro rata* distribution. *Cf* his article "Secular Changes in Occupation Structure" in *IESHR*, Volume II, Number 1, January 1965. But he also concedes that "There is certainly an argument against this [lumping of general labour with agriculture] as we do have evidence that significant proportion of the unspecified belong to urban areas." *Cf*, "The Growth of Agricultural Labour in India", *IESHR*, Volume I, Number 3, September 1972, p 328.
59 Constructed from the table given in page 395 "A Note on Working Force, etc,". Here "All India" means Union of India which was a part of India under British Rule. Primary Sector (a) consists of (i) cultivators, and (ii) Agricultural Labourers. Primary Sector (b) consists of (i) and (ii) above and (iii) persons involved in mining and quarrying, forestry, fishing, plantation, etc. Secondary Sector: Workers in Manufacturing and Construction. Tertiary Sector: Trade and Commerce, Transport and Storage and Communication.
60 In fact Kalra's findings may appear to make my own estimates superfluous. Against that I can only submit that I had set out here mainly to locate the faults in Thorner's methodology and this necessitated making my own 'estimation' taking into consideration Thorner's data.
61 Apart from the obvious theoretical possibility in an underdeveloped populous colonial country like India, for the empirical evidence an interested reader may go through "A Short History of Labour Condition under Industrial Capitalism", by Juergen Kuczynski Volume I, London 1942. See also, A K Bagchi, "Some Characteristics of Industrial Growth in India", *Economic and Political Weekly*, Annual Number, February 1975.

TABLE 10: PERCENTAGE OF DISTRIBUTION OF POPULATION OF EACH SEX INTO WORKERS AND NON-WORKERS (WORKERS BEING FURTHER CLASSIFIED INTO SECTORS, ALL-INDIA)

Year	Sex	Total Population	Primary Sector (a)	Primary Sector (b)	Secondary Sector	Tertiary Sector	Non-Workers
1	2	3	4	5	6	7	8
	Persons	100	31.48	33.44	5.88	7.29	53.39
1901	Male	,,	40.09	43.00	7.52	10.59	38.89
	Female	,,	22.61	23.59	4.20	3.91	68.30
	Persons	,,	33.82	35.98	5.35	6.74	51.93
1911	Male	,,	42.40	45.69	6.78	9.52	38.10
	Female	,,	24.93	26.02	3.86	3.85	66.27
	Persons	,,	33.68	35.65	4.89	6.38	53.08
1921	Male	,,	42.29	45.12	6.36	9.04	39.48
	Female	,,	24.67	25.74	3.35	3.58	67.33
	Persons	,,	30.24	32.37	4.42	6.51	56.70
1931	Male	,,	40.05	43.17	6.08	9.02	41.73
	Female	,,	19.97	21.06	2.69	3.88	72.37

Changing the Corporate Tax Base

V D Lall

This paper discusses the question of changing the corporate tax base. While the author agrees with the findings of Gulati and Bagchi (Annual Number, February 1975) on the possibility of extravagant expenditure by those in control of companies, he suggests that the case for changing the existing tax base rests on even more fundamental arguments than have been spelt out by them. These are set out in Section I; the alternative bases are indicated in Section II; and in Section III a few policy issues are raised.

CORPORATE tax reform in India has been mainly centred on changing the statutory tax rates, remodelling concessions and incentives, and imposing levies on capital gains, excess profits, dividends, inter-corporate investments, etc. But the *basis* of corporate tax structure, which is corporate profits, has not been touched. As the Bhoothalingam Report pointed out: the determination of the tax base is "in a sense even more important than the rates of the taxation themselves. The principles and methods of determining the tax base constitutes the essence of the main tax structure. It is this structure which should be built on a reasonably stable basis."[1] However, it suggested no change in the corporate tax base. Nicholas Kaldor, about two decades ago, suggested simplifications in company taxation; but again he did not advocate abolition of corporate profits as the tax base.[2]

Strong Case for New Base

It is only over the last few years that serious consideration is being given in India to the very idea of changing the existing tax base, particularly to replacing it with the value-added tax. I S Gulati and Amaresh Bagchi have recently made out a strong case for a new tax base. In their study on 'A Proposal for Reforming Corporation Tax',[3] they have convincingly proved that corporate directors, who manage and control corporate affairs, have only a negligible financial stake in the operations of their units. This does not bind them to bringing economies into the corporate operations. In fact, their privileged position, with negligible financial stake — except possibly where top managements have a percentage share in corporate profits — enables them to camouflage personal expenses on company accounts, encouraging thereby a cost-push effect in product-pricing. They suggest that this inherent structural lacuna can be overcome by shifting the tax base to business expenses net of wages.

This paper examines the proposal for

changing the corporate tax base. While I agree with the findings of Gulati and Bagchi on the possibility of the extravagance indulged in by top men in the industrial sector, the case for changing the existing tax base has even more *fundamental reasons* than have been spelt out by them. These are brought out in Section I; the alternative bases are indicated in Section II, while the third Section raises a few policy issues.

I
The Rationale

The *rationale for changing the existing* tax base are fivefold, two of which have been emphasised by Gulati and Bagchi. These are: preventing the camouflaging of personal expenses on business accounts and *bringing economies* into corporate operations. The other fundamental issues on the basis of which a case can be made for a change in the tax base are: abolition of the existing bias in favour of borrowed capital in corporate financing, reduction in the extent of tax evasion and tax shifting, and elimination of the psychological fear or deterrent to savings and investment which a high statutory tax rate is supposed to have.

The first two rationales have been well illustrated by Gulati and Bagchi, in their Table 2 (p 197), which depicts how the gain from camouflaging personal expenses on business account would be 51.76 times the net income directors in widely-held public-limited companies can get in the normal course of things. Even in the case of other types of companies, the benefit is quite substantial, though not to this extent. They also point out examples of wasteful and luxury expenditures in large corporations, which have a demonstration effect on others — including on public sector units. In fact, it is an interesting phenomenon in the Indian corporate sector, that companies continue to exist in spite of growing accumulated losses, as a result of continuous negative profits for years together.

My study on the finances of private limited companies in Maharashtra[4] on a census basis — covering some 3,200 companies — revealed that companies with *continuous accumulated losses*, comprised 56 per cent of the total number of private limited companies in Maharashtra, accounting for 53 per cent of their total directorships and 37 per cent of their total share capital. In fact, in a very large number of cases, the accumulated losses far exceed their share capital as well as their net worth. The situation is not much different for public limited companies also. The very fact that such companies continue to exist shows that earning corporate profits and paying dividends, are not the only objectives of industrial enterprises in the country.

Gulati and Bagchi have estimated that, even a *one per cent inflation in* expenses in large corporations can cover up the personal expenses of directors and top management. Such expenses could be in furnished accommodation, entertainment, medical expenses, travel and holidays, insurance, club memberships, subscriptions to professional periodicals, education, etc. But "there are *even more significant* avenues to exploit controlling power for benefits, either directly or indirectly, through relations, friends, and even genuine parties, especially through the network of contracts, tenders, selling agencies, etc, on which the wheels of the industrial economy run.

The existing tax system favours borrowed capital in industrial financing since expenditure on such capital (in the form of interest payments) is a deductible item for tax purposes while expenditure on share capital (in the form of dividends) does not entitle the corporate sector to such benefit. The companies also save in terms of time, money, and effort, as they do not have to obtain governmental permissions for borrowings, as they have to for making public issues. Borrowed capital can also, to some extent, improve the image of the unit. In any comparative unit-wise analysis or ranking in the industrial sector, a unit with the same level of absolute sales, turnover, profits, and ploughback, can have a higher profitability on net worth (the most important criterion for such comparative assessment) with a lower net worth, because of the lower share capital base.

In fact, with the existing pattern of interest rates and curbs on dividend payments, it is quite possible that those who have real control over corporate affairs would prefer to 'loan' or 'deposit' their capital to the units under their control, or to other units rather than 'invest' in them. In the case of investments, there is neither any guaranteed income nor is the scope for income unlimited, while in the case of 'lending' there is not only a guaranteed income but the earnings can be unlimited.

The existing statutory tax rate, at more than 50 per cent, creates a psychological constraint for saving and investment, as the government is made out to be more than an equal partner in corporate rewards. In actual practice, the high statutory tax rate is illusory because of the various tax concessions which bring about a legal gap between the statutory and effective tax liabilities. Even the net increases in the reduced effective tax liability is shifted by the corporate sector — largely to the factors of production and to the consumers.[5] As a result, the effective tax rates on a large part of the industrial sector works out to less than 50 per cent of the prevailing statutory tax rates. The reduction in the tax rate consequently leads to a fall in government revenue.

Government revenue is even further depressed by reduction in the tax base, which is corporate profits, as a result of camouflaging of business expenses, as well as general boosting up of cost.

II
The Alternatives

Among the alternative tax bases are a tax on value added. on shareholders income, on gross profits, and on business expenses.[6] The VAT concept being highly complicated, is difficult to implement for lack of a well-developed collection agency and also because of the consideration that has to be given as to what shape excise duties and sales tax have to take, if VAT is to be introduced. Ralph Turvey advocated the case for replacement of the tax on corporate profits by a tax on shareholders' income on the grounds that the corporate 'profits' tax was "antipathetic to growth" and it deters investment and enterprise. Classifying shareholders into two types, he suggests that shareholders who own without any controlling power (the majority would come under this category), should be taxed on their dividends received and capital gains realised, while the shareholders who both own and control should not only be taxed on their dividends received and capital gains realised but also on their proportionate share of undistributed profits on the grounds that they decide the quantum of ploughback. Such a system is not only cumbersome to operate, but leaves much scope for tax evasion. Also, corporate taxation in India has not been "antipathetic to growth" nor has it really been a constraint to investment and enterprise.

TABLE A: DISTRIBUTION OF GROSS VALUE ADDED
(Average annual percentages)

		1950-51 to 1954-55	1955-56 to 1959-60	1960-61 to 1964-65	1965-66 to 1969-70	1970-71 to 1972-73
1	Salary and wages	64.6	59.4	54.7	55.6	53.2
2	Interest	2.7	4.6	5.5	9.4	10.9
3	Depreciation	9.1	10.9	12.5	13.1	13.4
4	Profits before tax	23.6	25.1	27.3	21.9	22.5
5	Tax	9.6	10.3	13.1	10.5	10.5
6	Profits after tax	14.0	14.8	14.2	11.4	12.0
7	Dividends	8.6	9.4	8.9	7.3	6.7
8	Retention	5.4	5.4	5.3	4.1	5.3
	Gross value added (1 to 4)	100.0	100.0	100.0	100.0	100.0

Note: This Table is based on the Reserve Bank of India samples of public limited companies. The annual average percentages have been computed from the five-year totals of the component items and are not the averages of five annual percentages. Periodwise percentages restrict the influence of abnormal factors in particular years and are therefore a more reliable indicator, when the analysis has to be made for long periods, such as in this study.

The concept of gross profit (profits before tax and before interests) as a tax base, eliminates the bias in favour of loan financing *vis-a-vis* share capital financing. But it would not necessarily ensure economies in business expenditure or prevent camouflaging of personal expenses on business accounts. It could also not lead to a significant reduction in the statutory tax rate as the base would be only nominally bigger than the present tax base. On an average, the present base — corporate profits before tax — constitutes between 22 per cent and 27 per cent of the gross value added, and interest payments account for another 4 to 9 per cent.

NEW PROPOSALS

Let us now examine the proposal of Gulati and Bagchi. As the corporate tax is largely shifted in the less than perfectly competitive industrial sector, they feel that "the mere replacement of a tax on profits by the tax based on costs should make no difference to the prices charged by companies. In fact, with the change in its base, from profits to costs, the corporation tax ought to exercise quite a restraining influence on corporate costs — and thereby serve to keep prices lower" (p 202).

But they wish to exclude wage costs from the cost tax base, as their inclusion "might operate as a disincentive against employment". Already they point out, on the basis of other studies,[7] wage component of corporate costs is registering a decline, relative to other costs, and the situation may even worsen if the proposed change in the tax base includes wages. This would have adverse effects on the employment situation. They go to the extent of pointing out that exclusion of wages from a cost tax base, would provide the necessary correction to our over-capitalised industrial economy — largely the result of development rebate and accelerated depreciation.

LABOUR SHARE

No one would deny that the share of labour in value added or value of production has declined over the years. No one can also deny that the present industrial structure is highly capitalised and that fiscal incentives did play a major contributory role. This could have been restricted if the policy of development rebate and accelerated depreciation were operated in selected industries (as is now being done), rather than as a clear incentive for investment in any industrial activity. But equally important factors for the heavy capitalisation was the distinct economic policy towards introducing a wide diversification in the industrial structure, building up capacity in the core and priority sectors and heavy industries, and entering new areas of operations. Modernisation and rationalisation in existing, age-old, industries — like jute and cotton textiles and sugar — as well as the need to introduce the latest sophisticated technical knowhow and R and D, meant, in effect, heavy utilisation of capital resources. As a result of such structural changes, it is well known that, even the official indices of industrial production do not reflect the real position. Cotton textiles, jute, sugar and plantations are no longer the predominant spheres of industrial operations. As these traditional industries were highly labour-intensive, the share of wages in value added, will definitely be higher for periods before 1960 than during the sixties and the early seventies.

The declining share of wages in value added also does not necessarily mean that capital has been favoured at the cost of human resources. The reward of capital in the form of interest has improved over the years as a natural consequence of greater recourse to borrowed capital *vis-a-vis* owned funds and also due to increasing capital intensity of projects, in line with the changing pattern of industrial development, the world over. Rapid expansion of fixed assets in the sixties and seventies led to a sharp improvement in the share of depreciation in gross value added. But very significantly, the share of government revenue in the form of corporate taxation has also increased, partly due to increase in corporate tax rates as well as through introduction and expansion of high profit earning and consequently high tax yielding industries. In fact, the share of dividends (payments to suppliers of owned capital) has declined over the years (Table A).

Thus, the fall in labour share in value added over the last two and a half decades, is not only due to a growth of capital-intensive industries but also due to a spurt in tax revenue, rapid industrial capacity built up, and larger recourse to external sources of financing — all of which are related to the fast growth of new, highly sophisticated, high profit earning, and growth-oriented industries. In other words, they are a consequence of industrial and economic growth. But for the industrial growth and widening industrial base that has been noticeable since the early sixties, is it not possible that the absolute level of employment may have not grown as rapidly as it has (even though not as fast as one may have desired), if the industrial economy had remained highly tradition-oriented and labour-intensive in character?

Is it also not possible, that a new tax base which favours labour-intensive techniques of production may

also have unfortunate repercussions on R and D efforts, development of capital-intensive industries, general investment climate, etc?

Gulati and Bagchi also advocate a multi-rate system of taxation of companies, so that industries with different cost structures may be taxed at varying rates. While this preferential treatment idea needs consideration, I fear its implementation may create computational problems, particularly for companies having diversified operations, captive units, etc.

Business Expenses

Even if wages may be included in the new tax base on these grounds, what about all the other manufacturing and administrative expenses. There are *some* business expenses which are basic to any manufacturing operations and where the scope for boosting up is nominal. Production, sales, income and profitability have a close relationship to such expenditures. Among these are the expenses on basic inputs — raw materials, components and stores and spares, power and fuel. In most cases, their prices are fixed, or controlled by official agencies, or are too well known in government and business circles so that tax authoritives can trace their overvaluation fairly well. This would be true of the larger part of the industrial sector.

Those who control corporate affairs have other areas, wherein pushing up of costs for personal gain is possible on a larger scale. Such items of expenditure are sales and distribution, publicity and advertisements, certain construction activity, repairs and maintenance, consultancy services, perquisites and staff welfare activities, travelling and conveyance, entertainment, administration and miscellaneous expenditures. I feel that it is possible to bring in economies in these spheres, even to the extent of 25 to 30 per cent.

If business expenditure has to be made a tax base, it has to be considered whether the essential and basic expense items on which manufacturing operations depend, may be excluded.

As an alternative, one may even suggest sales income, net of cost of the above mentioned basic inputs, as a tax base. Such a broader tax base could lead to a reduction in statutory tax rate to about 10 per cent, as against 4.5 per cent proposed by Gulati and Bagchi on total expenses net of wages.

III
Policy Issues

Irrespective of the exact components of business expenses to be taken as the new tax base in replacement of the existing corporate profits as base, two basic issues remain. Will the shift in the tax base guarantee economies in the cost of industrial operations? The same group of directors and top management would continue to control power and they may (it may be hypothetically assumed) continue old practices of camouflaging their personal expenses on business accounts, etc. What do they lose by pushing up costs? All that can happen is that the new tax base (business expenses) would increase, or remain the same, leading to higher tax liability and lower after-tax profits available for dividends and plough back. As their financial stake in the units they control would still remain negligible, they may not care if dividends are restricted or even fall; for, their net share in them (after deducting personal income tax) would be only nominal. The situation may be even more serious than under the present tax system, so well depicted by Gulati and Bagchi. Shareholders would suffer, but they may not be eager to transfer their equity and preference share investments to other companies, — not only because of the possibility of high depreciation in share prices (owing to falling dividends) but also because the malaise of shifting personal expenses to corporate accounts, increasing tax base and tax liability, and falling dividend payments can be expected to be a common phenomenon in the corporate industrial sector, public as well as private. The shareholders can transfer their investments (after incurring capital loss) to bonds and fixed deposits or engage in lending operations. But is it not likely that interest rates may also slump in line with the falling dividend earnings?

If, instead of the present tax base which is profits, expenditure is made a tax base, what would be the system of incentives for inducing improvements in capacity utilisation, increase in production, investment, etc? How will these incentives be incorporated in the tax system, based on business expenses? These issues need to be examined. Controlling or trying to reduce corporate expenses may improve corporate profits, but it does not necessarily ensure higher capacity utilisation, production, and investment. Some type of incentives for better performance in the industrial sector always has its results. Development rebate did succeed in introducing a widespread and diversified industrial base — even though, in the process, it also led to surplus capacity, pre-emption of capacity, blocking of capital resources, etc.

The new tax base — business expenses — need not therefore lead to economies in cost of operations or prevent camouflaging of personal expenditure on business accounts. But it would reduce the psychological constraint on saving and investment as, with a larger tax base, the tax rate would be quite nominal. It would also not discriminate against any particular system of financing industrial operations.

To what extent tax evasion and tax shifting can be restricted, if not eliminated, would necessitate an intensive exercise; it may be argued on the face of it that there may be some reduction as the statutory and effective tax rates would be nominal.

Notes

1 S Bhoothalingam: Final Report on Rationalisation and Simplification of the Tax Structure, 1968.

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3 I S Gulati and Amaresh Bagchi: 'A Proposal for Reforming Corporation Tax', *Economic and Political Weekly*, Annual Number 1975, pp 195-204.

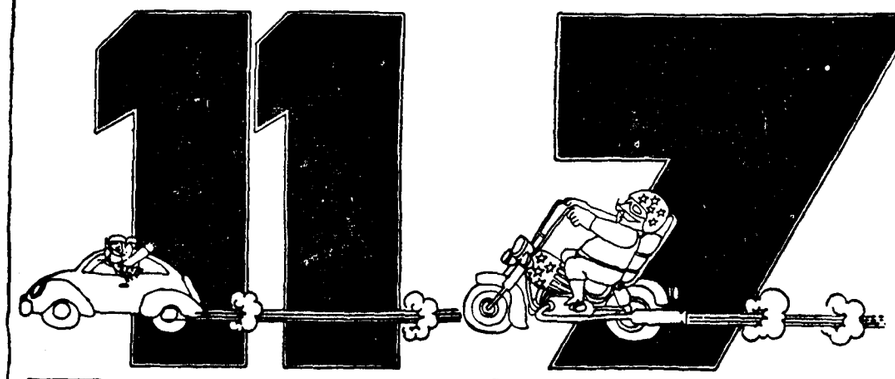
4 V D Lall: 'Structure of Private Limited Companies in Maharashtral', *Economic and Political Weekly*, July 3, 10, and 17, 1971.

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7 S L Shetty: 'Trends in Wages and Salaries and Profits of the Private Corporate Sector', *Economic and Political Weekly*, October 13, 1973.

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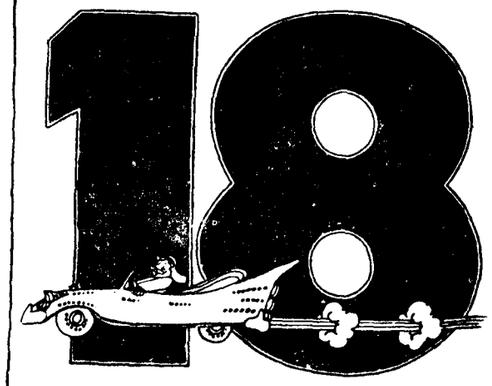


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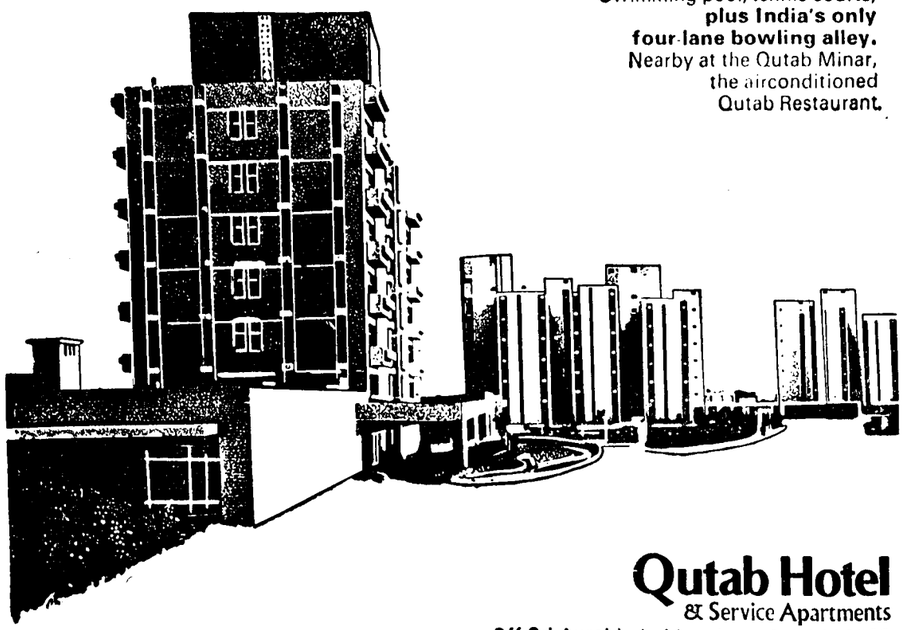
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	Rs. crores		
	1973-74 Actual	1974-75 Provisional	1975-76 Budget
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Imports	206.0	229.5	265.0
Domestic	10.8	3.8	4.0
Total sales	**489.6**	**786.4**	**1000.0**
Equity capital	10.0	10.0	10.0
Reserves	16.8	24.2	26.0
Net worth	26.8	34.2	36.0

Highlights

- Exports represent a larger share of increased STC profits, and advantage was taken of the international commodity boom, reflected in higher unit value realisations.
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Crumbs with Conditions

THE International Monetary Fund's oil facility for helping out member-countries with meeting the deficits in their balance of payments — resulting from the steep increase in oil prices since early 1974 — are to be available for the current year too. The funds that were available under this facility during 1974 amounted approximately to SDR three billion — or roughly about $ 3.7 billion, at the prevailing exchange rate between the dollar and the SDR. Surprisingly, despite the severe strain felt by the majority of the oil-importing countries, borrowings under the facility last year amounted to only about SDR 2.5 billion, leaving an unused facility of SDR 0.5 billion. Yet, when the discussions on the need for such a facility had been on, the figure of SDR three billion had been deemed totally inadequate — on the grounds that, if several developed countries borrowed from the facility, relatively very little would remain for the comparatively harder hit developing countries. However, Italy was the only major developed country which borrowed from the oil facility — its borrowings, of SDR 675, accounting for well over one-fourth of the total amount borrowed under the facility. Britain, which had seemed a major candidate for drawing on the oil facility, managed, instead, with borrowing Eurocurrency and with the large windfall inflow of Arab funds into London. Some of the smaller developed countries — such as Greece, New Zealand, Spain, Turkey and Yugoslavia — together borrowed SDR 803 billion.

Thus, the developed countries accounted for nearly three-fifths of the total borrowing from the oil facility — thereby leaving a rather minor share to the 30 developing countries. Even so, IMF's oil facility helped the developing countries to finance, on an average, 40 per cent of the increase in their oil import cost during 1974.

The oil facility for 1975 is to be much higher, at SDR 5 billion or $ 6.2 billion. The criteria for determining the size of funds to be made available to member-countries are also to be relatively more liberal. Though the interest rate would continue to be around 7.25 per cent, the most seriously affected member-countries — such as India, Bangladesh, and Sri Lanka — may hope to get funds at about 2.5 per cent interest through an interest-subsidy scheme which is being worked out for the sake of these countries. A member may thus draw upto 125 per cent of its quota in the fund — or 85 per cent of the increase in its oil import cost, whichever is less. The increase in the member's oil import cost is calculated by multiplying the volume of its net oil imports in 1972 or 1973 — whichever is higher — by $ 7.50 per barrel. In the case of India, for instance, the net increase in oil import cost, on the basis of this formula, works out to about $ 950 million; 85 per cent of this sum would be about $ 815 million. Since this sum is smaller than 125 per cent of India's quota, India's total access to the oil facility for 1975 would be $ 815 million. Further, subject to these limits, a member's access would be not less than one-third of the increase in its oil import cost nor less than its maximum calculated access under this oil facility. In order to meet demands under the oil facility, the IMF is arranging loans from some major oil-exporting countries and some other countries whose balance of payments are more comfortable. The IMF, moreover, is in a position to meet the immediate requirements of some of the member-countries from out of the unused portion of the 1974 oil facility.

In the case of India, since both these figures are lower than $ 815 million, this figure defines the maximum access available to it. The IMF will again review the position of its 1975 oil facility in July. But, until then, a member could have an initial access of upto 30 per cent of its total access. Thus, before July next, India could hope to get emergency aid of about $ 250 million.

The oil facility has thus become a very convenient source for India to meet part of its staggering balance of payments deficit. But it is not a source of finance free of conditions. The IMF has stated that, access to the 1975 oil facility, will be subject to "stricter policy conditionality than in 1974". Each member deciding to avail of this facility will have to "describe its policies to achieve medum-term solutions to its balance of payments problems". Only after the IMF is satisfied about the adequacy of these policies can the member get the funds. Moreover, each borrower will have to indicate the steps it wishes to take to conserve oil, or to develop alternative sources of energy. Government of India would thus have to indicate how it is going to develop its alternative sources of energy, *viz*, coal. Not having undertaken any medium-term policy measures to solve its payments problems, India may well have a tough bargaining session with the IMF. What is a more significant condition is that the borrower will have to give an undertaking that it will not intensify its trade and payments restrictions.

Western Europe

Moscow's Footsteps

WHEN the NATO was formed after the Second World War under the political and military aegis of the US, it was made out to be the unshakeable bastion of the Western world against the Soviet Union. Subsequently, the ascendancy of rightwing military regimes in different countries and the successful thwarting of popular movements, notably in Greece and France in post-war Europe, underscored this. Not before the economic crisis of the mid-sixties did the first crack appear in this European Great Wall. European nationalism asserted itself first in the form of the European Economic Community which though not anti-American was certainly an attempt at devising European solutions to European problems. But the first real jolt came in 1974 in Portugal and the reverberations are being felt in Greece, Italy and Spain.

Portugal, bled white by a prolonged colonial war, has been the weakest link economically in the NATO chain. After overthrowing the rightist Caetano regime, the Armed Forces Movement, representing the war-weary and radical armed forces, sought to dismantle the dictatorial edifice of the country in a series of sweeping measures: press censorship was removed, the ban on political parties was lifted and preparations for an election were on. The Portugnese people breathed the air of freedom after decades. To the country's former mentor, the US, the new leadership adopted a cautious attitude. Portugal has not left NATO nor has it asked the US to dismantle its Azores base. But the regime's irritation with the present US stance in the region is unmistakable. Not unnaturally, this has sent a shiver up Portugal's NATO allies, and the US particularly. The presence of communists within the AMF and their influence in the general political situation in Portugal have added to the feeling of unease.

The unease over the situation in Portugal has been heightened by the events in Greece beginning with the overthrow of the military junta there. In this case the catalyst was the Cyprus crisis during which the Greeks were badly mauled by the Turks. The victory of the moderate New Democratic Party, under the leadership of Constantine Karamanlis, in the recent election has halted Greece's leftward movement and, further, the existence of a rightwing army makes any such possibility much remoter than in Portugal. However, the unresolved Cyprus crises and injured Greek pride remain possible sources of trouble. It is unlikely that the new regime in Greece will drop out of NATO, but it will put pressure on it for redressal. If the US and other NATO partners fail the Greeks in this, the Soviet Union, with its eye on this sensitive region, will find another opening.

For Italy, the thaw came from the Cyprus crisis as well as from the failure of its present coalition government — led by the Christian Democratic Party — to restore the country's sagging economy to health. The state of expectancy among the communists in Italy could be felt at the last National Congress of the party where the party secretary, Enrico Berlinguer, laid down in elaborate detail the communists' plan for capture of power. The communists, it was declared, would wait for power rather than fight for it. Here, as elsewhere in Europe, the communists, moulded in the European style of the communist movement, depend on the present ruling coalition to co-opt it into power. In this new programme of "historic compromise", the communists will not leave NATO. In fact, the only claim to radicalness that the Italian communists can make is in foreign policy which, they profess, will be European-oriented and independent of the Super Powers.

For Spain it will be difficult to avoid the winds of change blowing over Greece, Italy and, most of all, Portugal. The internal condition of the country strengthens such a possibility. In spite of Franco's iron rule, the placid political backwaters of Spain have been recently stirred by labour unrest and a series of student agitations and by the rebellious Basque country. The hitherto obedient Church is also reportedly unhappy with Franco's regime. Nor is the army too happy, as is reflected in the recent refusal by two army officials to survey the political opinions of the railway workers in Barcelona.

Though it is hazardous to predict with certainty the likely course of events, these countries beset by economic crises and political unrest seek a new approach to these problems. However, this is not to be taken as an urge for changing the present social system. It is a cruel irony of history that the European communist parties too have resigned themselves to such a position. For the US, however, the situation is fraught with uneasy portents. In the first rustle of leaves in Europe, the US will hear Moscow's footsteps. The recent reverses in Indo-China will add to its nervousness.

Gujarat

A Farce

Our Correspondent writes:

MORARJI DESAI has certainly scored a personal point over Indira Gandhi by forcing her, through his fast unto death, to hold elections to the Gujarat Assembly in early June instead of after the monsoons as decided earlier. That apart, the fast was a total farce. That the elections will now be held before and not after the monsoon will not make the slightest difference to the famine situation prevailing in many parts of the state. Morarji's contention that only an 'elected' government would be able to alleviate the people's suffering as a result of the drought does not deserve to be taken seriously. The famines which have hit millions in many parts of the country, most of them under the rule of the 'elected representatives of the people', show that such a government can be as callous towards the plight of the poor as the present one in Gujarat, run by agents of the Central government.

It is even more difficult to take seriously the claim that Morarji's fast was undertaken to save the democratic rights of the people. One has to be extremely naive to believe that democratic rights are upheld by the holding of Assembly elections and that, too, by holding them in June instead of in, say, September. It is the unjustified and unwarranted continuation of the state of Emergency which gives the ruling classes, the bureaucracy and the police unlimited powers to trample on the democratic rights of the people. Though Morarji did include the lifting of the Emergency among his demands, it was incidental to his main purpose and he was easily satisfied with Indira Gandhi's empty assurance that the question of lifting the Emergency (and revocation of MISA) could be discussed later. This was not an accident, of course. The continuance of the Emergency does not affect Morarji's brand of politics very much since he derives his support from the ruling classes just as much as does the Congress. Indeed, should Morarji and his party come to power in the elections, they too would have to rely on the powers conferred on the government by the Emergency and MISA.

The real reason for Morarji Desai undertaking his indefinite fast is neither the acute scarcity conditions in the state, to tackle which a 'popularly elected' government is needed, nor the scrapping of the Emergency. It was quite simply a well-timed manoeuvre by Morarji to rehabilitate himself in the politics of the state. The manoeuvre was well-timed because Indira Gandhi and her government are just now under severe pressure because of the deteriorating economic situation and the resultant mass unrest in different parts of the country. They were, therefore, most reluctant to force a confrontation with Morarji, especially since his principal demand — the fixing of an early date for the holding of elections — has a democratic flavour about it. The timing of the fast was also such that all the opposition parties, with the exception of the CPI, were forced to support it. Before Morarji's fast, on the advice of JP, all the non-CPI parties had formed the Lok Sangharsh Samiti in Gujarat on the demand for early elections. Morarji had acquiesced in the inclusion of the Congress (O) in the Samiti only rather reluctantly for fear that the political initiative in the state may well slip into the hands of JP. Morarji's fast was an attempt to forestall this. In fact, the Samiti was rather upset that Morarji should have resorted to his fast without even consulting it.

The success of Morarji's fast is an embarrassment for the ruling party, though it is by no means certain how it will affect the votes in the election. All the parties will have to content themselves with a short election campaign and that may well be to the advantage of the ruling party. Temporarily, in the two months or so before the elections, the drought-stricken and the poor may benefit as the Congress sets out to woo them with work programmes and other relief schemes. But once the elections are over, whoever wins, the poor will be back where they were and nothing indeed would have changed.

Industry

Wayward Policies

THE approval granted by the Monopolies and Restrictive Trade Practices Commission to Philips India's proposal for expanding its licensed capacity for general light service (GLS) and fluorescent tube (FT) lamps is yet another example of the waywardness of economic policy-making. Philips' proposal sought expansion of capacity of GLS lamps by 9 million units and of FT lamps by 2.25 million units a year. It is interesting to note that while Philips' present licensed capacity is 8 million GLS lamps and 1.5 million FT lamps, the company is producing over 23 million GLS lamps and over 4 million FT lamps. The MRTP Commission itself observed that the production potential of the machinery proposed to be installed by the company under the expansion would be at least 16 million GLS lamps and 2.5 million FT lamps. One of the conditions laid down by the MRTP Commission relates to a safeguard in terms of the actual capacity to be installed.

Philips has been known for its flouting of capacity restrictions. While questions have been occasionally raised in Parliament about the company's cavalier attitudes in such matters, little is known about what penal action, if any, has been taken by the government. Curiously, Philips' present expansion proposal received the strongest support from the representative of the Ministry of Industrial Development and Civil Supplies which is supposed to be the custodian of the Industrial Development and Regulation Act under which the government regulates capacities through licensing.

Why could the additional capacity for lamps for the Indian market, if so badly required, not be set up in an Indian company? At the MRTP hearing the Development Commissioner for Small-Scale Industries bemoaned that the lamp industry was in the doldrums. In the circumstances, it may be concluded that the expansion of Philips' capacity will further restrict the scope for growth for the other companies in the field. Surely Philips does not expect anyone to take at face value its claim that it is not dominant in the market for lamps.

The Philips proposal has been pushed through largely on the strength of the export argument. The company's representative at the Commission's hearing claimed that the project would establish India as a quality producer and exporter of electric lamps in the world market, though he baulked at a 100 per cent export commitment. While normally a project producing solely for exports may be deemed as risky, in the present case Philips already has a strong domestic base in lamps in the country. It would also be interesting to see how faithfully the export commitment is adhered to. The suggestion that the Commission's condition of a 75 per cent export guarantee is more stringent than those laid down for export-oriented projects is not really correct as the government has in the past specified equally high export commitments even for public sector projects located in backward areas.

An equally telling example of double standards is the fate of Philips' own proposal for manufacture of medical electronic equipment. In terms of its technological content, that proposal had far more to commend itself, but the MRTP Commission decided to reject it. Perhaps it can be contended that the project was not approved because the government's own corporations (such as the Electronics Corporation of India) and departments felt that their vested interests would be affected. It was vociferously argued by them that the technology already existed in the country. But contrast this with the much less complicated technology for lamp manufacture that exists aplenty among so many manufacturers. This speaks volumes about the objectivity with which decisions are made in such matters.

North

Higher Price under Cover

MONOPOLY state trading in wheat is back again in Punjab and Haryana, after a year's break. The wheat crop is good — though smaller than the record output of 5.62 mn tonnes of 1971-72. Procurement by official agencies has started, but is on a low key at present because market arrivals have been slow. It should pick up in May and June. The grower is evidently feeling the loss of the private trader, who is completely out of the picture this time. The trader normally paid a much better price than the official agencies, and paid far more promptly. Certainly, bureaucratic attitudes, corruption, rejection on various pretexts of grain offered in the market, and many other similar malpractices are known to take place with official procurement.

But the most important factor which has disheartened the farmer is the procurement price of Rs 105 per quintal which he had hoped would be jacked up by his government. His disappointment has been confirmed by the bonus for additional procurement announced

by the Centre on April 15. The Punjab Government had made very special efforts to persuade the Centre that a generous bonus was called for and, for many days, the bonus anticipated by official and non-official circles was about Rs 15 a quintal. It has been announced that it will be Rs 4.75 per quintal — about a third of the expected figure. This is the average of the three slabs. The maximum of Rs 15 a quintal would be available only for such quantities as are procured for the Central pool over and above the committed quota.

According to official statements, the wheat procurement levels stipulated for Punjab and Haryana may not be fully achieved as a result of the low price offered. Two factors may nevertheless help the procurement drive: first, the absence of an alternative buyer for the grower since there are no private traders openly present, and second, the lesson of the 1974-75 wheat season just ended when the large and medium growers who had banked upon the usual end-of-the-season profiteering and had therefore hoarded grain were disappointed as the expected spurt in prices during the lean December-March period did not take place. In many cases, the hoarders, who included traders, suffered losses. If there is a good monsoon this year it would be an additional help to procurement. For, if a bumper kharif crop in the north is ensured, the bigger growers and the smaller ones who are assisted in their hoarding by the finance offered to them by the traders would tend to disgorge their stocks by not-too-slow stages. The prices of the two seasons' crops respond also to the expectations of the total output of the year.

Nevertheless, as part of the campaign to maximise procurement, the governments of both Punjab and Haryana have evolved schemes to provide additional incentives to the farmers who will offer wheat to them for sale. The Punjab government thus intends to repeat its experiments of supplementing the Central bonus with cash or with subsidised agricultural inputs. Last year, the state had paid about Rs 13.5 crores as wheat bonus to farmers, the Centre contributing Rs 7 crores. But the bonus coupon scheme was started rather late in the season — by which time the small farmers had sold out. Moreover, there were several cases of misappropriation and many farmers were cheated straightaway. In other cases they were deprived indirectly as the promised benefits from the coupons were not promptly forthcoming.

The Harayana government too has offered this year additional incentives, by way of permits for two bags of cement and some controlled cloth, for every 10 quintals of wheat sold to official agencies. It is being said that the smaller farmers, who constitute the majority, would sell the cement in the black market at about 100 per cent premium. In fact, the wheat bonus is to be paid indirectly in the shape of 'development work material' for farm improvement, instead of in cash. These schemes will be a boon, not so much to the small farmers whose power to show higher than the stipulated procurement is not so significant, as to the larger and more powerful farmers who may be expected to make a kill on the black market with the bonus items being offered. Last year over Rs 4 crores were spent as bonus on paddy, which reportedly was spent in a manner which remains, by and large, a mystery to date.

It is, indeed, the 'politics of wheat' which has to be contended with in the two states. Exploitation of the price issue by the opposition parties is an annual feature — especially in Punjab, where the Akalis make it a major issue in their campaign against the Congress regime and efforts are also being made to dissuade the farmer from offering wheat at the procurement price. Even the Punjab unit of the CPI demanded a cash bonus of Rs 20 a quintal two days after the Union Agriculture Minister had announced the bonus of Rs 4.75 in kind. The Jan Sangh asked for Rs 15, also in cash. It is argued that the bonus would not reach the farmer unless it is paid in cash on the spot at the time of the wheat transactions. The Akali leaders have described the Rs 4.75 bonus as a cruel joke and warned of large-scale diversion of land from wheat to coarse grains, especially barley or other crops which bring in much larger returns. The plea for supplying essential farm inputs at subsidised rates through a fool-proof scheme is, however, fast gaining ground.

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Calcutta Diary

A M

SOME refugees are *a la mode;* some are not. The frightened, bewildered, households in southern Vietnam's countryside, who have been hustled to take to the road following the collapse of the tinpot regime which the Americans had set up, are much in the news. There should be a straightforward psychological explanation for the outpourings of concern for the stranded ones down Saigon's roads. The plight of these refugees is the outcome of the waywardness of the Administration of the United States. The human misery of these refugees is the product of a diseased leadership in that country. For more than two decades, the Americans chose to run amuck in a land that was not theirs. They ruined a country and its people, killed men, women and children, destroyed property, poisoned food and foliage, in the pursuit of their imperial influence. Now, at the end of 60,000 American lives and $ 200 billion, they discover that they have achieved nothing. At least two million Vietnamese lives have been lost in the course of this dismal discovery.

But this fact is barely mentioned; for the Americans, the shadow price of a Vietnamese life is presumably next to zero. A lush, beautiful countryside has been mutilated beyond measure; that too need hardly be referred to: the shadow price of Cam Ranh and Hue could, after all, hardly compare with that of Florida or Vermont. No, the Americans do not talk of what they have done to others; their bickering and heart-burning are centred exclusively around the fact that the internal rate of return — whatever discount factor you apply — has turned out negative in terms of their own investment in money and lives. Vietnam does not matter, the Vietnamese do not matter. Only the American losses are for reckoning. The Americans constitute the centre, the rest — including the Vietnamese — are the periphery and who ever worries about the periphery? By paying token homage to the refugees, the Americans are, once again, merely satisfying their own ego; they are meeting their peripheral obligation. There is some demand in American homes particularly for orphans from Vietnam. This is understandable: in more senses than one, these children are the progeny of American sin.

So, during this month, in the news media of the Western world, the Vietnamese refugees are the rage. Our own media, too, having groomed themselves in the Western image, have picked up the theme. The newspapers, at Calcutta, Bombay, Delhi, Madras, are using up precious space to narrate the American version of the story. Vietnam's destitutes are indeed *a la mode.* Yet, few of these papers bothered when, five or six months ago, children died for lack of food at Cooch Behar, Bankura and Kamrup. *That* kind of human misery did not excite them. Vietnam's destitutes have glamour; our own are merely decrepit specimens, their tragedy does not excite; it only embarrasses us. What embarrasses deserves to be shoved aside. Easily 25,000 people have starved to death in the eastern parts of the country in the last autumn. Their deaths will not fill history's pages. Their's were the wrong kind of deaths, in the wrong country, in the wrong context. Our own government would have been very much annoyed, indeed, if the story of that misery had been broadcast to the world. The convenience of the government must be respected.

The convenience of the government must be respected; therefore, we do not talk at all, any more, about those other refugees either — the ones from East Bengal. Beginning with 1947, they have come in spasmodic waves — generations of them, spanning over more than a quarter of a century. They are the true heroes and heroines of our struggle for Independence. It is as a consequence of the Indian nation securing 'sovereignty' that these people had to lose their homes and hearths, their livelihood, their assets. They were summarily uprooted, robbed of their culture, and deprived of the assured modalities of existence.

One is not talking here of the landed gentry or the parasitic professional bourgeoisie who came across: many of the latter succeeded in reorganising themselves, reasonably well, on Indian soil in the post-1947 phase. One is talking now of those others, whose likes had suffered — through the decades of the eighteenth, nineteenth and the early twentieth centuries — as much as the Muslim peasantry of Bengal, who had stuck to their Hindu religiosities which did not however save them from being ground down by the insensate processes of feudal and semi-feudal oppression. Landless cultivators, blacksmiths, goldsmiths, spinners, weavers, potters, boatmen, cobblers, bakers, woodcutters, fishermen, hawkers, petty shopkeepers, artisans, artisans' help, millions of families, who, for generations on end, had precariously kept scrounging for capital assets, but always failed, a vast array of poverty-ridden humanity, somehow retaining a tenuous hold on life. They were never able to attain conventional respectability, for they could never rise above the level of their sub-marginal existence. They constituted the mass for Bengal's bourgeois-feudal superstructure. And they served history.

In 1947, they became the sacrificial victims of the cynical deal that awarded the kingdom to some. They never had any resources to fall back on, but till then they had at least a certain milieu of their own, the assurance of the familiarity of a certain fauna and foliage, a frame of reasonable expectations of how the tomorrows were going to be. Their co-ordinates were roughly torn asunder by the holocaust of the partition. The underprivileged in East Bengal, those who had the misfortune of belonging to the lower strata of the Hindu community, emerged as the shuttlecock of Indo-Pakistan relations. Each time things went sour between the parvenus of New Delhi and Karachi oblique Islamabad, this immense chunk of the Hindu proletariat would once more swell the tide of refugees streaming across the border: this happened in 1950; was repeated in the middle fifties, in 1964, during the 1965 war, and finally in 1971.

It has been a sad, silent procession. Please do add the numbers carefully. Close to 10 million of the Bengali working class, who were born in the districts on the other side of the Ganges and, by happenstance, were born as Hindus, have been squeezed, nibbled at, put under pressure, rudely uprooted from their moorings in the course of the past quarter of a century. The Government of India's need to oblige wore thin. By the sixth or seventh year following the partition, Union Ministers in New Delhi learned to talk in a lingo of superciliousness whenever the subject of the East Bengal refugees came up. The admonition began to ring loud and clear: you are a pernicious nuisance, why don't you get lost, and allow us to enjoy our bliss?

The refugees got lost in the countryside of West Bengal. For a while, they contributed to the rise of the radical tide in these parts, which made them even greater anathema to New Delhi. Learned-sounding press notes were officially prepared and released, drawing attention to the relative degree of effec-

tiveness of per capita public expenditure on refugees from the West and the East, respectively — with the implied moral that, if these chappies from East Bengal were still in difficulty, it must be because they were lazy-bones and malingerers. The comparative arithmetic was palpably dishonest, the land-man ratios in the East and the West were carefully slurred over; the property and assets which were settled on the refugees in the West but which were not available to those in the East were not referred to even once; the diseconomies of scale, which started to afflict Calcutta from the early 1950s and which trapped the refugees in its quagmire, remained completely slurred over. These hapless specimens, smoked out of their hearths and homes, disinherited from their profession, became an expendable category: the squalor of West Bengal's vast slum claimed them, forever.

For a brief while, during the conflict with Pakistan over Bangladesh, the refugees from East Bengal once more became our honoured guests. The gentle, peace-loving, homely refugees, escaping, for dear life, from Pakistani terror, became the theme song of our propagation at international forums. The datum was carefully concealed that more than 95 per cent of this new wave of refugees once more came from the Hindu working class. Till as long as Pakistan was not subdued, the refugees were being invited to come and be our guests. The season lasted only a few months. The moment Sheikh Mujibur Rahman was installed in Dacca, the refugees were pushed back, in great, unseemly hurry, to face a dark, altogether uncertain, future. Nobody here bothers any more about them. They were the real heroes of the Bangladesh war, not the fake Mukti Bahini put together by India's Border Security Force. But history will not mention them. The first occasion across the border into India, they travelled under the naked sky, destitute, laden with fear; they were made to travel a second time, across the border *from* India, like wasted cattle, as soon the war was won and its glory shared. How the Sheikh treats them is not our concern; we made good use of them during 1971, we even created a few extra million of them in that year in order to ensure that the aid kitty got appropriately refurbished. But now nobody should utter their names, they are supposed to have ceased to exist.

All men are equal, but some are more equal than others. All refugees are lovable, but some are more lovable than others. The refugees created by American folly carry a special glamour: the refugees who are our own creation do not quite belong to the same league. For them, no birds sing.

CAPITAL VIEW

Trials of Strength?

Romesh Thapar

THIS fasting-unto-death business, and the faltering refusals to submit to political blackmail, are in the nature of trials of strength, Indian style, which will decide the style of confrontation in the months before the holding of the general elections. The danger of these *deshi* games is that too many old men are involved and someone might lose a life. And then? Political forecasting in such climate becomes terribly difficult. On that, at least, let there be no difference of opinion.

The most surprising aspect of this rather complicated situation is Indira Gandhi's apparent unwillingness to face the issues which have been raised by the Opposition. The mere suggestion that she is going to tackle these issues would dramatically alter the present political calculations. What is it that holds her back? Her inability to pick the priorities? Reluctance to study the inter-connections between the issues which have been raised? Or failure to understand that the *status quo* is no longer a framework for the developing tensions of the Indian polity?

It is common knowledge that Indira Gandhi just cannot 'dialogue' with JP, and that JP has all manner of antipathies towards her. As for the Opposition 'leaders', and they grow in number every day, they want to be everywhere, in all discussions, with the Prime Minister, with JP and with the men who fast unto death. But public attention continues to focus on Indira Gandhi and her obsession only with political manipulation — as in Bihar where Ghafoor goes and another Misra sticks his chest out. When will this charade end? When will the subcontinent feel the presence of leadership in the Capital?

The questioning gets more intense with every week that passes. In a sense, as the economic situation shows signs of stabilising, the political crisis is highlighted. After all, the battlefield is not in Delhi. It is in Bihar and Gujarat — at the moment. And what do we see there? All the familiar crooked politicians, shifting from one faction to another, ensuring their perks, and privileges in a situation of flux. No effort is made, either by the ruling party or those opposed to it, to win new cadres or to prepare for actions which will break the stultifying *status quo*.

It is in this context that demoralisation continues to spread, and even JP's articulation of public anger in the towns loses its edge. Reports coming into the Capital suggest that the 'total revolution' has now become a full-time exercise in handing our promises to so-called 'Janata' candidates. We have yet to see where the disappointed go, but it is clear that the new, dedicated cadres are nowhere in sight. I think it's time that we realised that the old men and their young hangers-on, who see the future in street brawls and such activity, are not the instruments of change.

The future can still be moulded by a continental Congress party that is led intelligently and which recognises the need for fundamental alterations in the electoral and federal system. Indira Gandhi once believed in this mission of the Congress party. What made her as old as the men who oppose her? Obviously, the carefully organised subservience of the party to "the leader". This is the cancer. Until the party moves politically, thrashes out issues and controverts constructively with 'the leader', there is no hope of survival for the party. It will merely become an agency which various highly dangerous lobbies use for gaining their own ends. Something of this is already noticeable.

Indira Gandhi, over the past several years, has failed to take steps to restore health to party functioning. Indeed, many of her actions and obsessions have been read as demanding subservience as a sign of loyalty. Now, the top and middle echelons of the party can only stir if she herself encourages them to think over the issues facing the country. Or else the frustration and dissatisfaction among her supporters will not surface — a septic focus most debilitating for the ruling party.

The opinion is crystallising that the Congress cannot plod along as a pocket borough of Indira Gandhi. It contains too much tension and cleavage. Only a genuinely democratic lead can give it the muscle to face the challenge that is building from both Left, and Right. At the moment, the dominant desire is that Indira Gandhi head the transformation. Tomorrow, this mood may change. Anger in India has a knack of incubating over a long period for a sudden explosion.

COMPANIES

Liquidity Crisis

Hansavivek

GUEST KEEN WILLIAMS, which had been operating with comfortable cash resources for about 5 years, now finds the situation drastically changed. At the end of last year the company had to borrow from banks once again to the extent of Rs 318 lakhs. For one thing, inflation requires larger funds for the same quantum of real resources. In addition, fresh arrivals of steel, both indigenous and imported, require larger investment. Simultaneously, there is mounting pressure from customers for generous credit terms, which is likely to develop into a key problem in the current year. The company's investment in stocks went up by as much as Rs 985 lakhs, but the directors say that the year-end stock is just adequate to support the company's business. They point out that most essential imported raw materials are now procured through canalising agencies and that there are times when the company's cash resources are severely strained by bunched bulk deliveries. Rise in book debts is attributed to increased turnover and is regarded as reasonable in the context of general cash shortage. Capital expenditure during the year amounted to Rs 202 lakhs against Rs 131 lakhs during the previous year and was confined to essential replacements and other equipment to sustain productivity and improve quality.

During 1974, the company had to experience shortages of most key inputs, notably raw materials and power. Demand for the company's products was fairly strong and was sustained into the third quarter. There was some slackening at the year-end for items for consumers depending on government funds for development, such as SEBs. Power supply in the Eastern region was critical until August when a scheme of rationing was introduced reducing working from 6 days to 5 days a week. In the Western region, power supply deteriorated later in the year and a 15 per cent cut was imposed from October last. Shortages of electrical sheet steel and steels required for fastener manufacturing interrupted production in the early part of the year. The situation has since considerably improved with the arrival of large import consignments towards the end of the year and higher allocation of materials from the main steel producers in the country. GKW's gross profit increased by 11.5 per cent following a 17.7 per cent advance in net sales, reflecting contraction of margins. The rise in turnover represents in the main the influence of inflation and to a smaller extent growth in volume.

DALMIA CEMENT (BHARAT's production of clinker and cement was slightly lower at 3.95 lakh tonnes and 4.27 lakh tonnes in 1974 against 3.96 lakh tonnes and 4.37 lakh tonnes, respectively, in the previous year. Similarly, despatches of cement stood at 4.25 lakh tonnes (4.37 lakh tonnes). Production of the deadburnt magnesite plant at Salem was considerably higher at 45,449 tonnes against 30,983 tonnes, as removal of dumped over burden and correcting of mining faces yielded fruitful results. Demand for deadburnt magnesite continued to be encouraging and the company also received many export enquiries. Full capacity utilisation of the plant, however, could not be achieved owing to power-cut and non-availability of railway wagons. The overall performance of the cashew plant at Kundara was satisfactory, despite the limited allotment of imported cashew nuts by the Cashew Corporation of India. As prices of indigenous raw nuts were uneconomic, processing had to be restricted only to imported nuts. Despite lower production, the working results have been encouraging owing to favourable prices in the international market. The working of the garment division has not been satisfactory due to mass cancellation of orders from foreign buyers on account of the recessionary tendencies in the market during the second half of the year. The future of this business has become uncertain.

In view of the uneconomic price offered by MMTC, supplies of iron ore had to be suspended from April last year and, consequently, mining operations were also limited only to some quantity of float ore for about 4 months during the year. Production of iron ore was only 3.72 lakh tonnes against 5.73 lakh tonnes previously and sales were also lower at 3.99 lakh tonnes against 6.13 lakh tonnes. Agreement for the prices was arrived at with MMTC during August whereafter supplies were resumed. Owing to prolonged strike and lock-out in Air India and the oil crisis affecting all affluent nations, travel trade in general received a set-back which had its adverse impact on the inflow of tourist traffic to India. The Bombay branch of 'Govan Travels' has been recognised by Indian Airlines and recognition for the Madras office is expected shortly. Total business turnover of this unit has been substantially higher.

Although DCB's net sales were slightly lower compared to the previous year, gross profit shot up from Rs 94 lakhs to Rs 215 lakhs. Net profit at Rs 81 lakhs was three times the previous year's figure even though the tax liability syphoned off a substantially higher amount. Equity dividend is lowered by 2 points to 8 per cent, a part of which is expected to be exempt from tax.

PHILLIPS CARBON BLACK has promoted a new company under the name and style 'Oriental Carbon' which is setting up a project near Mathura and has already received capital goods clearance from government. Another new company has been formed in association with Gujarat Industrial Investment Corporation. Its name is 'Gujarat Carbon' and the site for its project has been tentatively selected near Baroda. Government of India has also approved the fuller utilisation of PCB's plant capacity at Durgapur and granted a licence for 36,000 tonnes per annum. The previous licensed capacity was 22,680 tonnes. During 1973-74, full production capacity could not be utilised owing o restrictions on consumption of power.

The production was 27,186 tonnes against 27,566 tonnes in the previous year, although installed capacity was 36,000 tonnes. Sales in volume increased from 23,150 tonnes to 28,322 tonnes as a part of the last year's stocks was sold out. With the full impact of the rise in crude oil prices, which have been escalating for quite some time, the company revised the selling prices of carbon black and the result was that sales jumped by 124 per cent and gross profit by 194 per cent over the respective previous year's level. Despite increased tax liability, net profit soared to Rs 76 lakhs from Rs 33 lakhs. Equity dividend has been lowered from 16 per cent to 12 per cent on account of statutory restrictions. In addition, the directors have proposed issue of gift shares on a three-for-ten basis. The ratio of wages to sales has been more than halved and that of inventories to sales considerably lowered over the year. The company has acquired 84,000 shares of Rs 10 each in Murphy India.

GAMMON INDIA is diversifying its activities and is setting up a unit at Badlapur near Bombay for manufacture of large-diameter impellers and allied components. These impellers are required for construction of cooling towers for industrial plants and power stations. The necessary registration with DGTD has been completed, and commercial production is expected to start soon. The company has been engaged in the construction of cooling towers and hopes to meet not only its own requirements but also those of other consumers. In addition, the company proposes to take up the businesses of mechanical and electrical engineers and manufacturers and dealers in machinery and chemicals. It also intends to take up agency business. The decision to diversify into other lines has been taken with a view to offsetting the effect of lean cycles in the construction business. The funds required for these additional activities are proposed to be met from internal resources and borrowings. The accounts for the latest completed year represent 12 months while those of the previous year were for 16 months and are, therefore, not comparable. Gross profit to turnover, however, shows contraction of margins. At the end of the year, the balance of work in progress amounted to Rs 39.28 crores against Rs 39.45 crores a year ago.

J K INDUSTRIES is entering the capital market on May 9 with a public issue of 39.8 lakh equity shares of Rs 10 each and 75,000 preference shares of Rs 100 each carrying right to fixed dividend of 11 per cent, both at par, to raise a part of the finance required for its Rs 25.5-crore project being established at Kankroli, a 'backward' area in Rajasthan for annual production of four lakh numbers each of automobile tyres and tubes. The project is being financed by a share capital of Rs 8.50 crores and loans of Rs 17 crores. According to the chairman, H S Singhania, the project is expected to go on stream by September 1976. Nearly 70 per cent of the production would comprise heavy-duty tyres. Ten per cent of the output would be exported. The company expects to pay a maiden dividend of 10 per cent for 1977-78. A notable feature of investment in these shares is that they will be exempt from wealth tax for a period of five years. The subscription list for the public issue, managed by FICOM, will close on May 20 or earlier, but not earlier than May 12.

The Week's Companies

(Rs in Lakhs)

	GKW		Dalmia Cement		Phillips Carbon		Gammon India	
	Latest Year 28-12-74	Last Year 29-12-73	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 30-11-74	Last Year 30-11-73	Latest Year 31-7-74	Last Year 31-7-73 (16 months)
Paid-up capital	973	948	318	318	206	206	155	155
Reserves	1851	1552	318	409	385	342	132	109
Borrowings	684	407	61	73	—	—	51	37
of which Term borrowings	366	407	3	3	—	—	40	10
Gross fixed assets	2835	2726	671	661	342	344	600	558
Net fixed assets	1482	1402	247	261	115	124	196	185
Investments	58	37	82	217	9	—	4	4
Current liabilities	1955	1575	389	287	353	130	735	560
Current assets	3923	3044	758	416	616	348	872	671
Stocks	2138	1152	320	294	282	164	321	217
Book debts	1726	1472	282	227	281	134	283	265
Net sales	7144	6069	1369	1390	1085	485	811	987
Other income	134	75	114	150	17	6	22	20
Raw material costs	3546	2769	289	253	568	228	724	864
Wages	1419	1206	165	146	50	47	46	51
Interest	31	35	14	15	—	1	5	9
Gross profit (+)/loss(—)	1158	1039	215	94	285	97	81	120
Depreciation provision	119	117	32	37	16	18	33	42
Tax provision	679	581	102	30	193	46	16	16
Net profit (+)/loss(—)	360	341	81	27	76	33	32	78
Development rebate provision	10	10	4	4	1	4	7	8
Transfer to reserves	235	160	52	—8	50	—4	17	—
Dividend								
Amount	E 115	171	P 2 E 23	2 29	E 25	33	E 8	8
Rate (per cent)	E 12	18	P7.80 E 8	7.80 10	E 12	16	E 5	5
Cover (times)	3.04	1.93	3.26	0.72	3.00	0.90	3.12	—
Ratios (per cent)								
Gross profit/sales	16.21	17.12	15.70	6.76	26.26	20.00	10.00	12.16
Net profit/capital employed	10.26	11.73	11.62	3.37	12.86	6.02	9.46	25.91
Inventories/sales	29.90	18.98	23.37	21.15	26.00	33.81	39.58	21.98
Wages/sales	19.86	19.87	12.05	10.90	4.61	9.69	5.67	5.17

Capitalism: The Deepening Crisis

Frederick F Clairmonte

IN Maxim Gorki's play "The Lower Depths" one of the characters, Ryumin, in love with his neighbour's wife, soliloquises that truth is ugly and delusion and deliberate self-deception make existence more delectable. Unfortunately, Paul Samuelson, in his appeal to a return of laissez fairyland of 'pure markets', is hardly assimilable to Ryumin. In his nostalgic chant of better days, he laments: "The centre of gravity has shifted. Economists are more conservative than they were 10 years ago because they have seen interference with the market system that has fulfilled their worst forebodings." Man's "propensity to truck, barter and exchange" as with Adam Smith becomes the *summum bonum* of economic thought and, of course, "the market" which is its institutional apotheosis.

The halcyon days of 'peoples capitalism' and the ballyhoo of the 'great celebration' as C Wright Mills labelled the the obfuscations of the fifties and sixties have lost their potency not only in the increasingly impoverished links of white man's capitalism: Britain and Italy. Let us ignore for the moment the peripheral capitalist world (apart from the petroleum producers and perhaps a few elitist raw material producers) who will continue to be battered — boom or no boom — from the advanced capitalist centre.

The mood is one of pervasive cynicism and despondency and Kurt Waldheim echoed the malaise when he referred to the "note of helplessness and fatalism" that is being generated. One of the biggest of Swiss money men, Alfred Schaefer, Chairman of the Union Bank of Switzerland, says: "The signs of global financial and monetary crisis that could bring about the partial collapse of or even total ruin of the world's economy are mounting steadily."[1] This has now become the familiar *cri de coeur* of the bourgeois at bay. The cry, in its universality, has shed its national identity. And it is here that the fetishism begins, for the crisis by the apologists of the system is seen as a purely intellectual crisis as were the efforts of the primitive save-capitalism pursuits of Keynes and his subsequent imitators. But the fiscal and monetary medicine will not work. And here we perceive the contradictions of the entire system writ large. Fetishisms, and not merely commodity fetishisms, become a substitute for a realistic analysis and hence 'economists' are identified, not incorrectly, with gypsies and not entirely unjustifiably with swindlers of various kinds, as one of the columnists of the *Financial Times* pointed out:

> "The status of economists in the Anglo-American world is still falling. The masks, the feathers, the rattling bones are dropping away from the witch doctors. The fact that these gentlemen are in command of either pure science or true magic is being swept away; the reality, which is that nobody can be certain that a grand economic strategy will work any more is becoming understood on both sides of the Atlantic. Sooner or later if things go on like this, the entire profession could be reduced to a status several notches below that of a weather forecaster and perhaps half a notch above the average astrologer."

To the bourgeois commentator this "fact" has now acquired the dimension of novelty but bourgeois schools of economics in their black-skinned variants as well have always been the jungle of intellectual alienation and market fetishism both in the developed and underdeveloped segments of the capitalist universe. But capitalism as a system of class power with profit maximisation and individual appropriation as its centrepiece has its own laws. Today it is not only true that the emperor has no clothes, but that there is no emperor. The ideological underpinnings of the system are being torn away with a vengeance, which portends the crumbling of the system as a whole, although the historical movements in various segments exhibits vastly differential rates.

The crisis — no longer the 'gathering' crisis — and here we are speaking of the over-developed capitalist segment with super-consumerism as only one of its attributes can no longer be conjured away by the solemn variety of names of which perhaps the "disordered expansion of international liquidity" is the most cliche-ridden — comparable to its ancestral "disordered price ratios" used by the League of Nations to explain (and justify) the great depression of the thirties. Like stale bread the banalities of yesterday have been resurrected to refine the current capitalist convulsions. In almost all countries we are being treated to a smorgasbord of platitudes (strikingly so in the UK) with appeals to "wartime social unity", "the need for the lessening of social tensions", references unending to the "rapacious social climate", onslaughts on "socialists bash-the-rich tomfoolery", and, of course, the mellifluous invocation to the "spirit of national cohesion" and return to "the atmosphere of fair play".

In the past twelve months, hourly earnings of the average American worker rose by 7 per cent, but retail prices have outstripped that fictitious gain so that the average working class paycheck has plummeted by 6 per cent compared to the corresponding period last year. And even *Time* could write: "in the past, rapid inflation has been associated with booms; the most frightening aspect of the present inflation is that it has hung on, and even got worse, through a period for which stagnation would be a mild word."[2] This has now become the familiar and almost irrepressible whine.

Walter Lippmann understood the psychological mechanisms of these forces when he wrote several years ago: "A demoralised people is one in which the individual has become isolated and is the prey of his own suspicions. He trusts nobody and nothing, not even himself. He believes nothing, except the worst of everybody and everything. He sees only confusion in himself and conspiracies in other men. That is panic. That is disintegration. That is what comes when in some sudden emergency of their lives men find themselves unsupported by clear convictions that transcend their immediate and personal desires."

Is this not descriptive of Britain and Italy and the entire capitalist rat race? Look at Britain. On the surface the crisis is numerately expressed by the fact that the prospective current account balance deficit is likely to scale £ 4,100 million, or 6 per cent of GNP or the equivalent of 10 per cent of personal consumption; and that inflation is soaring at 20 per cent annually. Surveying the changes that have occurred in Britain — 40 per cent of whose inhabitants in the age-group 18-45 want to emigrate — over the past eight years, columnist Bernard Levin noted that in addition to the current civil war which has become a "normal condition of British life" the entire structure of British life shows symptoms of disintegration. "From our collapsing postal and telephone system to our ever increasing in-

flation . . . from frequent traffic jams to permanent traffic jams, from political and industrial violence as an exception and newsworthy occurrence to the same things as a lurid and apparently permanent backdrop to our lives", and of course the increasingly articulate invocation to fascism by certain 'officers and gentlemen' as a means of annihilation of the trade unions. Shades of an earlier era. "From — this above all — absolute certainty that whatever else died or changed, our democratic institutions would remain basically the same whatever happened, to a state of affairs in which talk of dictatorships . . . is the common parlance of the day. That is the kind of journey on which Britain has gone in the last eight years."

Bernard Levin, it may be recalled, is a conservative publicist and what he has to say is symptomatic of the state of breakdown that one encounters not merely in Britain, but in Italy where fascist terrorism has made unbridled leaps, and, to a lesser extent, in all of Western Europe and the US. Today there are few, if any, articulate devotees of the system strutting with the breast beating arrogance of an earlier epoch. Theoretically, the system had long been stripped of its *raison d'etre;* at the sheer physical gut level its rationale has been sundered.

We have come a long way since the President's 1965 *Economic Report of the United States* could utter that "no law of the market compels a market economy (*sic*) to suffer from recessions or periodic inflations". Whether this was meant as priestly hyperbole in the spirit of the refurbished rationalisations of the Vietnam war or serious analysis does not matter since the whiplash of history has already consigned it to the mausoleum as Professor Tobin's frivolity that the "social costs of inflation" in the US were negligible. The US Full Employment Act of 1946 has now, in the views of some, become a barrier in the fight against inflation and increasing advocacy is being placed (by those with satiated stomachs and comfortable incomes) on unemployment as a battle axe for fighting it. It now appears that even a certain international organisation has veered to that policy choice.

Gordon of Berkeley within the confines of capitalist economics, puts it bluntly and implacably. And, of course, he, is correct. "Find me an economist who can explain the causes of the current surge of inflation and cure it without massive unemployment, and I'd like to meet him." Where stands the paraphernalia of Keynesian economics and its neo-Keynesian variants with its focus on fiscal and monetary tinkering? The ants are nibbling at its bones. Not even the spindly theoretical constructs as the Philipps curve which postulated a fixed trade-off between rates of inflation and unemployment has survived the crisis if only for the simple reason that one of the traits of the crisis of monopoly capitalism in its present phase is the parallel march of inflation and unemployment.

Unemployment and slower growth with all its presumably deflationary corollaries becomes the hallmark of capitalist wisdom. Like Moses on Pisgah, Arthur F Burns, Chairman of the Federal Reserve Board now urges raising the level of unemployment. "For a time, we should be prepared to tolerate a slower rate of economic growth, and a higher rate of unemployment . . . A period of slow growth is needed to permit an unwinding of the inflationary processes that have been built into the economy . . . There are, of course, risks that a period of slow economic expansion will lead to a gradual weakening of demand for goods and services, to a deterioration in the economic outlook, and to cumulative recessionary tendencies." By the sheer logic of capitalist economics Gordon and Burns are advocating the only solution to fight inflation, but as intelligent ideologists of the system they are not unaware of the further contradictions that it will engender.

The contradictions are manifold and they raise the question as to how a hypothetical cut of the level of consumption, i e, of 10 per cent could be achieved without exceeding that level. Are there any mechanisms in the capitalist engine to prevent the level of consumption from falling below 10 per cent once the deflationary process gathers momentum? Further, whose level of consumption will one reduce? Obviously, the white collar middle class who are extremely vulnerable and the working class. It will intensify the class struggle — not fortuitously the word is once again *a la mode* in the capitalist Press — and there is nothing that the capitalist can do: like a stricken victim gazing mesmerised at his own fall. But that is solely on the domestic front.

In the highly intricate internationalised web of trade relationships forged since the end of the war in which the multinationals have played a crucial role, a slashing of consumption would not be confined to the domestic front as West German finance minister Schmidt recently noted. It would lead to a trade war, further competitive devaluations, and all the panoply of exacerbated economic contraction redolent of the thirties — save that the scale of the war would be immeasurably more gruesome. Moreover, where are the mechanisms within the capitalist engine to ensure that this process becomes reversible? The answer is that there are none and thus the notions of 'normalcy' or a return to some mystical level of equilibrium is embedded in the shibboleths of 'market' economics.

Today, there is no international monetary system to speak of and what existed before mirrored the dominance — financial and otherwise — of the US. The international system operated and still does through the International Monetary Fund for the rich and by the rich and the third world has still little or no control of the price at which raw materials are sold. OPEC has been the butt of all sorts of attacks, but what is concealed by all the pinions of commodity fetishism and a twisted media is the fact that almost the entire marketing and distribution mechanisms, not to speak of petroleum production, is still very much under the control of the handful of petroleum giants. A scapegoat is needed, and so "the Arabs" have been used.

To talk of trade is to talk of money transmogrified into capital — and that refers to the entire apparatus of the multinational banking system and the petroleum giants. Here the "Arabs" count for very little since most of the money being recycled is going back to the advanced capitalist countries anyway. The extraction of the actual economic surplus in the Arab countries by the multinationals acquires a dual character since it operates at the production, marketing, and distribution level as well as at the level where royalties are being 'recycled' by the big banks of which the Chase Manhattan Bank figures so eminently and of which Vice President Rockefeller is Chairman of the Board.

Ralph Nader has described other aspects of these manipulations as follows:

> "Taxation, the balance of payments, and the international monetary system also allow the multinationals to display their global creativity. First, firms seek out tax havens, Taiwan and the Cayman Islands being examples, for the promise of a decade or two of tax-free production. When a world corps (i e, the multinationals) has subsidiaries in many companies, it can manipulate pricing to disguise accurate earnings and minimise its tax payments. Accounting gimmickry permits firms to pass on costs to host countries where taxes are low, or to those countries with sound currencies and little inflation. Thus the world

CHANGES IN EXPORT AND IMPORT PRICES* AND IN THE TERMS OF TRADE OF DEVELOPING COUNTRIES, 1954 TO 1973

(Per Cent)

	Petroleum-Exporting Countries			Other Developing Countries		
	Export Prices†	Import Prices	Terms of Trade*†	Export Prices	Import Prices	Terms of Trade*†
1954-56 to 1968-70	+ 2	+13	—10	— 1	+12	—12
1968-70 to 1972	+39	+17	+19	+12	+17	— 5
1954-56 to 1972	+42	+33	+ 7	+11	+32	—16
1972 to 1973	+30	+18	+10	+29	+21	+ 6

Source: UNCTAD secretariat estimates
*In terms of United States dollars.
†Based on changes in revenue (including royalties and taxes) per barrel of crude petroleum exported.
*†Ratio of export prices to import prices.

corp becomes a pump primer for instability and inequality, often alternately described as the rich getting richer and the poor getting poorer.

"The cost of these manoeuvrings becomes glaring when one looks closely at multinational corporations which dominate their host countries. The problems, first of all, are sheer size, external control, and escape from responsible political control by the host country. The largest 10 'world corps' (by sales) are bigger than some 80 nations (by GNP) and the largest 40 firms are larger than some 65 nations.

"The profits of world corps are often lush. Ronald Muller studied the rate of return on net worth for 15 pharmaceutical subsidiaries in Latin America, and found that it ranged from a low of 44.2 per cent to a high of 962.1 per cent, with the average return being 136.3 per cent. Looked at more broadly, in 1950 and 1965 the profit inflow to the United States from Third World investments was 264 per cent of its capital outflow, while the equivalent percentage for Western Europe was 71 per cent . . . Exacerbating this exploitation is the fact that so much after-tax profit is repatriated to the domestic United States, as multinational firms indirectly admit. If their investments help the United States balance of payments because of repatriated profits, as they claim, the surplus must come from somewhere, and that somewhere is the developing nations."[3]

The implications of this is that the salient trait of post-war 'growth' in the international capitalist economy has been the failure of its mechanisms to transmit growth and development in anything in the same proportions to the under-developed segment of world capitalism. A major factor in this asymmetrical development has been the unfavourable impact of the terms of trade. From the mid-fifties to the end of the sixties, the average prices of exports from the under-developed capitalist segment (excluding petroleum-exporting countries) failed to show any significant increase (a drop in the fifties being roughly offset by a rise in the sixties) whereas the prices of their imports rose throughout the period, indicating the continued inflationary pressure in the developed capitalist segment. The strategy of OPEC which has aroused the antagonisms of the developed segment as well as the antagonisms within it was perhaps an apt illustration of Lenin's dictum that "politics is concentrated economics . . . and that politics cannot but have dominance over economics. To argue otherwise is to forget the ABC of Marxism." Indeed, it was only by their collective action, notwithstanding, at times, their profoundly divergent ideological orientations (i e, Algeria and Saudi Arabia) that they were able to modify (the job remains to be completed) price relations and, to a far lesser certain extent, the socio-productive class relations.

The oil-exporting countries, succeeded in raising their unit return on exports in 1971, and again in 1972, by which time their terms of trade were somewhat better than in the mid-fifties. For other underdeveloped capitalist countries as a whole, the terms of trade worsened further between the end of the sixties and 1972. By the latter year, these had plummeted by around 16 per cent, compared with the mid-fifties, equivalent to a loss in 1972 of about $ 10 billion.

This fantastic loss was more than 20 per cent of these countries' aggregate exports, and considerably outpaced their receipts of official development 'aid'. Historically, the underdeveloped segment of the capitalist world continued to feed the capital accumulation process in the developed capitalist segment. Or, in other words, there was a net transfer of real resources, over this period, from the underdeveloped capitalist segment in the international economy to the developed segment.[4]

The continued outflow of wealth from the third world may serve to mitigate the impact of the world capitalist crisis but not for long since there are internal forces within each country which tend to speed up the contradictions. With reference to Britain, James Reston asks: "How long can it go on without crippling the economy, pricing British goods out of the world market, producing industrial strikes and class tension, and forcing government action to limit the traditional liberties of the British people?"[5] And this in a nation where an estimated 31 per cent of total personal wealth in 1970 was owned by one per cent of adults.[6]

In Italy, the crisis has already reached panic proportions since even its capitalist competitors in the common market were prepared to write its obituary. Germany has pitched in with a $ 2,000 million loan for obvious reasons (with Italy's gold pile as collateral) since its exports to Italy are 10 per cent of its total exports, and West Germany is highly vulnerable since exports account for about 30 per cent of its GNP.

At present, the level of official unemployment in Italy is 8 per cent of the labour force and to this must be added the fact that the migrant labour force in Western Europe is around one million. A further weakening of the West European labour market and extensive unemployment resulting in the expulsion of Italian workers and others from the Mediterranean basin would merely transform an already high level of unemployment into one which would become intolerably explosive.

The crunch in Italy will come in the winter months or even before, but it remains to be seen whether levels of consumption will be slashed and how they will be slashed, particularly in a country where income inequalities are so glaring, and where the techniques of tax evasion and capital flight rival the art of the Renaissance for its level of sophistication and subtlety. In addition, to current unemployment short-time is widespread and rising not only in Italy but in all countries.

The American economy, in the tormented words of the *New York Times* is now afflicted with "the worst inflation in the country's peacetime history, the highest interest rates in a century, the consequent severe slump in housing, sinking and utterly demoralised securities markets, a stagnant economy with large-scale unemployment in prospect, and a worsening international trade

and payments position". It would be difficult to add to this lamentation of woe save, as to be expected, the level of bankruptcies has also scaled record levels.

The mechanics of the accumulation process is now inhibited, since by the laws of motion of capitalist society, inflation drives up interest rates with money bolting the money houses in pursuit of even higher interest rates which, in turn, serve to depress stock prices even further. Consequently, the money famine, the concomitant ultra high cost of borrowing and the difficulty for medium and smaller firms to raise the liquidity needed to expand or even to survive. The upshot is not only an intensification of the crisis, but ineluctably flowing from it a higher degree of concentration and centralisation of corporate capital: financial and industrial.

The recent collapse of the Herstatt Bank was indicative of a crisis that has affected the international liquidity market. The financial swindles — labelled 'irregularities' by Lloyd's officialdom is suggestive of the infirmities of the entire structure of multinational capitalist banking. Losses of up to £ 33 million due to unauthorised foreign exchange dealings highlighted a phenomenon that was long in gestation. Last April, the Union Bank of Switzerland, the biggest of all Swiss banks, reported the loss of an unspecified sum due to currency speculation. Losses of the Herstatt Bank in Cologne of $ 200 million has been the biggest so far, but more bankruptcies are in the offing. The Franklin National Bank thanks to the pickings of the Federal Reserve has been able to survive, but the evidence points to a rapid liquidation of the small and medium banks. This implies, that with a deepening of the crisis international capitalist banking will increasingly be under the control of no more than about 25-30 large multinational banks.

With the transition from the system of fixed exchange rates dictated at Bretton Woods to the prevailing expediences now in vogue, the room for speculation has widened since currency changes of 3 per cent in one day have occurred and can be exploited by some to the sizzling of others. All capitalist banks are vulnerable in foreign exchange dealings under the new dispensation of floating currencies. One contradiction has now been imposed on another. The regime of fixed though adjustable par values which was the essence of the Bretton Woods system was subjected to intolerable stresses spawned by the inherent antagonisms within the capitalist accumulation process at both the national and international levels, as well as by the inflationary thrust with its differential impact on the competitive position of various capitalist countries.

To be sure, the volatility of the international capital flows due to interest differentials and speculative incentive that are built into the system aggravated the conditions of the old system to a point where a restoration of the par value system proved untenable. These tumultuous capital flows have had the impact of reducing not only the stability of exchange rates, but also by the very rules of international capitalism of curtailing the independence of monetary policy and hence of jeopardising directly their financial stability.

Floating exchange rates, however, is no palliative at all. Whereas currency values are kept within fixed limits maintained by the wobbly interventionism of central banks, this discipline was relinquished to permit currency fluctuations. And here is the rub, since speculative thrusts have become even more pronounced since there is no guarantee that a central bank would defend a particular rate.

And so the crisis moves on — inexorably with marked variations from country to country and each interacting with each other to push the crisis even further down the gadarene slope.

Notes

1 *International Herald Tribune*, September 11, 1974.

2 *Time*, September 9, 1974.

3 United Nations, Department of Economic and Social Affairs, Summary of the Hearings before the group of eminent persons to study the impact of multinational corporations on development and on international relations, New York, 1974. American officialdom would not concur in these perceptions. In his reply to Allende's speech before the General Assembly, George Bush, the American Ambassador to the UN, remarked that "there is nothing in our system designed to exploit anyone". *Time*, December 18, 1972.

4 For a perceptive commentary on these trends, see Alfred Maizels, "A New National Strategy for Primary Commodities", The Dag Hammarskjoeld Foundation, Uppsala, Sweden, August 1974.

5 *The New York Times*, August 31, 1974.

6 See John Vaizey, *The Times*, August 8, 1974.



Unfettered Misuse

Mohan Ram

THE Prime Minister's assurance to Morarji Desai that MISA (Maintenance of Internal Security Act) would not be used against legitimate political activities but *principally* against "anti-social and anti-national elements" was in response to one of the two demands on which he went on his indefinite fast. Morarji's principal demand was the fixing of the date of the elections to the Gujarat assembly, but since he had also expressed some misgivings about the use of MISA, the Prime Minister assured him that the matter would be examined by the Centre in consultation with the State Governments.

The assurance, however, hardly meets Morarji Desai's demand — the lifting of the emergency proclaimed in December 1971. The Prime Minister has sought to make out that Morarji Desai has appreciated the Government's difficulty about the emergency in view of "recent international trends". But according to Morarji Desai, "this is a matter that can be discussed further".

The Prime Minister's assurance on the use of MISA should be viewed in the context of the new reasons she has been advancing in defence of the continued state of emergency. She said at Rae Bareilly the day Morarji Desai ended the fast that the emergency could not be lifted because the country faced both "external and internal dangers". When the emergency was proclaimed in December 1971, there was specific reference only to the external danger (from Pakistan). But the Prime Minister has now cited a "maritime threat" to India in addition to the threat from the north and referred to "many other internal dangers, besides the drought situation in some parts of the country" and the "atmosphere surcharged with violence" to justify the continued state of emergency.

It would be well to recall that the Maintenance of Internal Security Act preceded the Emergency and did not follow it. Ever since Independence, India has had one kind of preventive detention legislation or the other except for a few brief interludes. In 1969, when the Congress split into two, the Prime Minister lost her Lok Sabha majority. She was unable to extend the life of the Preventive Detention Act when it lapsed shortly after the split because the Communist Party of India, which was her principal prop in the Lok Sabha, could not have voted with the government on this issue. The Centre allowed the act to lapse and left it to the states to enact their own versions of the Preventive Detention Act. Andhra Pradesh and West Bengal enacted laws more draconian than the Central law that had lapsed. As soon as Indira Gandhi regained her Lok Sabha majority at the 1971 snap poll, the Bangladesh crisis was used as the alibi to clamp down a new version of the Preventive Detention Act in the form of MISA.

When MISA was enacted Parliament was assured that it would not be used against political opponents or legitimate trade union and other activities and that its application would be limited to containing an external threat. There was a possibility of Pakistani infiltration when there was a large influx of refugees from Bangladesh. Later, when the Emergency was proclaimed, the new powers were used to plug a loophole in the MISA. Under Section 6 of the Defence of India Act, Section 10 of the MISA was amended by which a person could be detained for the duration of the Emergency instead of for one year. As of now the MISA provides for the indefinite detention of a person until the Emergency is revoked.

It is common knowledge now that the MISA, designed primarily to meet a situation caused by an external development, has been used against political opponents and to curb legitimate political and mass activity. It was used to crush the railway strike in May 1974, for instance. A couple of days before Morarji Desai ended his fast, the Bihar Government ordered the release of all MISA detenus — mostly those held in connection with the JP-led agitation there.

The Prime Minister's assurance that the use of the MISA would be restricted, albeit *principally*, to "anti-social and anti-national elements" implies admission that it had been used against legitimate political activities in violation of the earlier assurance to Parliament four years ago. Even the Imam of Jama Masjid was held under MISA earlier this year when he could have been held under one of the ordinary laws.

The prolonged state of emergency in the country has implications more serious and far-reaching than detention without trial. To reduce the whole issue to one of the application of MISA amounts to confusing the issues. It is surprising that an astute leader like Morarji Desai should have allowed himself to be fobbed off with an assurance that means little in the light of the government's past record in regard to the use of MISA. To allay his misgivings, the Centre is to examine the use of the MISA, in consultation with the state governments. The Centre did not feel the need for such examination during the four years the law has been in the statute book. If anything, the government was quick to take advantage of the DIR to make MISA more drastic in its operation insofar as preventive detention without time-limit was made possible.

By settling for the assurance on MISA (even if it means drawing up of rules narrowing the scope of its use to smugglers, etc, as Morarji Desai has suggested) would mean losing sight of the larger issue arising out of the Emergency. MISA will live even if the Emergency is scrapped just as the scrapping of MISA will not mean an automatic end to the Emergency. The Defence of India Act has parallel provisions for preventive detention and these have been invoked against political opponents. Restricting the application of MISA is no safeguard against the misuse of the Defence of India Act provision of detention without trial. Nothing short of scrapping the emergency would make any restriction of the application of the MISA meaningful.

M N Dastur

AGAINST international competition, M N Dastur and Co, Calcutta, have been awarded a $ 200,000 contract by the United Nations Industrial Development Organisation (UNIDO) to undertake a seven-month study of the iron and steel industry on behalf of the Government of Colombia. The emphasis in the study will be on analysing available natural resources and establishing priorities among potential energy resources: studying existing semi-integrated steel plants and preparing an analysis of alternatives for the fullest use of existing steel production capacity; and evaluation of the most attractive technologies suitable for local adaptation in this industrial field.

MAHARASHTRA

Scuttling Land Reform

AKKALKUA is a small tehsil in Dhulia district. Of its population, 80-90 per cent are Bhils. Before Independence, Akkalkua tehsil was sub-divided into as many as five estates — collectively known as Mehvassi Estates. The chieftains of these estates are Bhils too, and used to be called 'Sarkars' or 'Rajas'. However, while they had all the revenue powers, they were not allowed the criminal or civil jurisdiction such as the erstwhile princes possessed. In 1949, the Governor of Bombay, using his special constitutional powers, put through the West Khandesh Mehvassi Estates Regulation which made all laws in force in West Khandesh applicable to the Mehvassi Estates. By implication, the Land Revenue Code and the Bombay Tenancy and Agricultural Lands Act, 1948 were also extended to this area.

Accordingly, the Mehvassi estate-holder became an agricultural land-holder, and the cultivators of his land became his tenants. In 1955, the Bombay Tenancy and Agricultural (Amendment) Act was passed; it came into force from August 1, 1956. The amending Act added clause 10-A to the original section 2, defining the term 'permanent tenant' with reference to the antiquity of his tenure. On April 1, 1957 — which was declared as the 'Tillers' Day' by the Government — the tillers and the cultivators all over Maharashtra were deemed to have bought from the land-owners the lands they, as tenants, had been cultivating. The formula for the purchase price, too, was stipulated by the amending Act.

The permanent tenants were to pay to the landlord, a purchase price 6 times the assessment of the land they were tilling. The other tenants were to pay a purchase price not less than 20 times but not more than 200 times the land assessment.

In addition, using its special power to legislate for backward areas, just before 'Tillers' Day', Bombay Government (as it was then) passed an order, specifying that the permanent tenants of the ex-chieftains would pay 6 times the land assessment and that the other tenants would pay no more than 80 times the land assessment — land assessment being generally less than land revenue.

In 1961, on evidence that even this purchase price was much too high for the Bhils to bear, the Maharashtra Government made a regulation and almost simultaneously issued a notification to rectify the earlier requirement. The notification clearly stated that certain sections of the BTAL (Amendment) Act, 1955, would not apply to the Mehvassi Estates; thus, the purchase price of land fixed earlier, would no longer be valid. The Government of Maharashtra also issued the West Khandesh Mehvassi Estates Regulation, creating three classes of landholders — apart from the estate owners — *viz*, (i) permanent tenants; (ii) other tenants; and (iii) inferior holders. It also widened the definition of the first category to include many more tenants. The permanent tenant was to pay 3 times the assessment; the ordinary tenant 6 times the assessment; and the inferior tenant got his land without payment. Both the notification and the regulation were retrospective in effect as from August 1, 1956 — i e, the same day that the BTAL (Amendment) Act, 1955, had come into force.

The chieftain of Kathi estate promptly went into writ petition against these provisions — on the technical ground that, although the regulation and notification were retrospective in effect, on the precise dates on which they were actually passed, the estates did not exist anyway, and that these provisions therefore now constituted an interference with the money-income derivable from property.

The High Court accepted this argument, and declared both the notification and the regulation null and void — in 1968. The Maharashtra Government appealed to the Supreme Court against the High Court's judgment. The appeal was admitted, but the case is *still* pending. Meanwhile, Kathi's solicitors wrote to the appropriate Ministry informing it that the chieftain had applied to the Supreme Court for an order directing the Maharashtra Government to implement the Bombay High Court judgment, and that no order had been passed on his application. The solicitors even went on to threaten the state government with legal action should it fail to take steps immediately to implement the High Court's judgment. On receipt of this communication, the Maharashtra Government went to the Supreme Court for a stay order of the judgment of the High Court, pending the outcome of the Maharashtra Government's appeal before the Supreme Court. The request for a stay was rejected — in 1972.

In the meanwhile, in 1965-66, in accordance with the legislation of 1961, the tillers had already paid the purchase price demanded of them, to the official machinery at Dhulia, and obtained their 'B forms'. These forms declared them 'owners' of the lands they had been cultivating. At that time, the information on who was an inferior holder, who an ordinary tenant and who a permanent tenant, was already available with the government machinery, which had made them pay according to the originally determined scale. The '7/12 records', too, which contain the details of any land holding — *viz*, its ownership, other claimants to it, mortgages on it, crops on it in a particular year, and method of farming — had already been made out in the names of the tillers as 'owners'. And, because they were now owners, land mortgage banks had given several of them loans for agricultural purposes.

With the stay order rejected by the Supreme Court in 1972, a process of reversal set in. Particularly in the last year, the government machinery has become extremely active in implementing the High Court decision — in no uncertain terms prejudicial to the interests of the tillers. Even before the 15, special, tehsildars-cum-agricultural land tribunals were set up to look into the unjust or forced transfers of land in the belt, the talathis in Akkalkua were busy altering the records. Thus, old 7/12 extracts have been taken back from the new owners by the talathis, even though they do not have the legal or administrative powers to do so.

What is of further significance is that the Government of Maharashtra has willingly buckled under and gone back on implementing the High Court's judgment. Though the 1957 enactment does not recognise inferior holders, it *does* recognise *two* classes of tenants — permanent and ordinary. However, whether or not a person is a permanent tenant depends upon the antiquity of his tenancy, and if the only document which the tenant can produce before the agricultural land tribunal is one current 7/12 extract, then he can be easily dismissed as an ordinary tenant, liable to pay upto 80 times the assessment.

The tribunals, which had quite definite terms of reference, have done nothing to make the tillers change their traditionally apprehensive and suspicious attitude to government officials. They have, in fact, behaved more like bailiffs of the chieftains than as tribunals set up to ensure justice to the tillers. Thus, they have in practice put in little or no effort to investigate the actual permanency of a tenancy. Nearly all have been assessed as ordinary tenants. Moreover, though they have been clearly charged with discovering how much the tenant has in fact paid in 1965-66 and to deduct this amount from the purchase price being required from him, the tribunals have done nothing of the sort. In one instance, the tehsildar has been known to deal with 20 cases in 29 minutes.

Such perversion of justice is helped along by the fact that most of the Bhil tillers do not have their 'B forms' or 'treasury receipts', and are illiterate. Thus, while they may possess all sorts of papers — some irrelevant, most torn or falling to pieces with age —, on matters of crucial importance they may easily fail to obtain or keep the papers and adhere to the procedures. Thus when they present themselves before the tribunals, they fail to collect back the notices which have summoned them before the tribunals or to take back their 7/12 extracts. Subsequently, should the man want to appeal to the Collector, as the law says he may, he can not produce the relevant papers.

The chieftains' men have been busy, meanwhile, scouring the countryside, and have been threatening the farmers with eviction should they fail to pay what is demanded of them. The situation has been indeed further confounded by the recent legislation, which aims to return to the adivasis such of their lands as the non-adivasis had bought illegally from them. Most of the big farmers are illegal owners of adivasi lands, and are therefore anxious to legalise their possession of these lands by paying the demanded price and obtaining the correct documents. These big farmers therefore have opted out of the struggle — such as there is — against the chieftains, and have chosen to pay the higher price required of them.

The government too has helped in this division among the farmers. The Kathi chieftain's applications to the Maharashtra Government were of two kinds: where the possession of the land was recognised to be his, he asked for the higher purchase price, and where the land had been sold by the original occupant the chieftain asked for the land to be returned to himself as his permission for the transaction had not been sought or obtained. In both cases, the government has issued the same notice, asking the new owners to purcase the land. In the second kind of application by the chieftain, however, the chieftain is allowed to choose the buyer he wants. The big farmer-buyer is chosen who is likely to pay up quickly.

Much wanton confusion has been administratively allowed also on the question of the amount to be charged. The estate holders had asked for the maximum price statutorily permitted (80 times). Though the government stipulated the limit of 40 times, there have been cases where 100 times the land assessment was charged. These deals have been with the connivance of government officials.

When the Minister for Revenue and the Minister for Social Welfare visited Akkalkua on January 1, this year, they repeatedly congratulated themselves on the recent ordinance which cancelled illegal transfers of adivasi lands. The Ministers and members of their entourage appeared satisfied with the fact that Maharashtra has such a law in its statute books. But on the very major problems of implementation, which kill the law in actuality, they seemed blissfully — or wilfully — ignorant.

Industrial Cartels and Research

Narendra Singh

IN the industrially developed countries, there has for long been a close bond of agricultural research with the farming business, but not so directly with the processing and manufacturing industry. Now, for some time in the past, such industry is getting active in agricultural research to directly influence the trends in agricultural production to ensure the supply of raw materials tailored to its demands. This growing relationship, with particular reference to Holland, was recently discussed in a Dutch journal (*Tijdschrift van NRLO-TNO*, No 6, 1974, p 17). Modern industry, however, has world wide interests, as part of economic expansion and exploitation. This was evident at an international conference in Rotterdam (February 27-28, 1975), entitled "Effects on Industry of Trends in Food Production and Consumption". Organised by TNO, the Dutch organisation of applied scientific research, it was co-sponsored by the Association of Dutch Chemical Industry and the Association of Mechanical and Electrical Engineering Industries.

A wide field was covered by the invited speakers. The general themes dealt with the global interactions between agriculture and industry (H A B Parpia of Food and Agricultural Industries Service of the Agricultural Department of FAO), the world sources of food, their capacity against needs (F J Stare of Harvard University Department of Nutrition), and the natural proteins as food components (Morgen Jul, former Secretary of the UN Protein Advisory Group), and also included a discourse on the systems of agricultural production (T L V Ulbricht of the British Agricultural Research Council). The specialised themes, on the other hand, covered the qualitative factors in food production (F D Tollenaar of the Dutch organisation of nutrition and food, TNO), the trends in food technology related to nutritional requirements (J Boldingh of Unilever Research Laboratory), and the industrial production of proteins (C A Shacklady of the British Petroleum Proteins).

The FAO expert enunciated diverse routes for increasing food production in the developing countries, and suggested the need for a proper cybernetic model for each country to maximise productivity, the most essential ingredient of which consisted of intensive agriculture, with all the usual modern inputs. Referring to the wasteful use of grains and oilseed meals in animal feeds in the affluent world, with the quantities thus used in US and Canada alone having the capacity of meeting the food needs of half the world's population in China and India, a technological use of vegetable proteins in food in the developing countries was advocated. In support were cited developments in India in modern milling, processing and technological use of oilseed protein, the latter particularly in extending milk. The failures of the promoted developmental programmes were proposed to be overcome with the adoption of a part-technological and part-sociological approach.

The Harvard Professor pointed to the limitations on grain supplies from climatic factors and from political decisions, as the recent ones of USSR, USA and China. However, through improved varieties and plant genetic

breakthroughs like *triticale*, and through food fortification programmes, the problems of the poor and hungry in the world, particularly in the developing countries, were assumed to be solved. With pride details were given of two programmes covering large populations in Thailand and in Tunisia to study the effects of lysine and vitamin fortification of the rice and wheat diets in the two areas respectively. The pre-mixes, synthetic rice grains of lysine and soluble nutrients, for the Thai programme were manufactured in Japan, while those for the Tunisian programme were manufactured in USA from lysine of the Japanese firms and vitamins of the American ones. No nutrition expert would have doubts about the positive nature of the results, to come forth from computer analysis of the data after the completion of studies. Need for such studies, however, remains a question. On the possibilities of human populations living on single cereals of improved characteristics or fortified with lysine, etc, the FAO expert pointed to the promise of such foods and products finding place within the developing countries, referring particularly to the collaboration of the British Tropical Products Institute for developments in this direction.

Instead of food use, the new cereals including *triticale* were identified as promising feedstuffs by the former PAG expert, referring to the rising costs of vegetable proteins which were finding increasing use as extenders of meat, etc. Protein food industries were warned of new demands within the developed countries from changes in food habits to quick snacks, synthetic drinks, etc, and the need for better nourishment and satisfaction. Serious doubts about the food fortification programmes in the developing countries were accompanied with promotion of industrial manufacture of emergency foods for famine situations. With an emphasis on weaning food industries in the developing countries, the industrial interests of the developed world were advised to have a realistic look for setting up plants and factories and supplying machinery for dairy, meat, feed and food processing.

The discourse on the systems of agricultural production contained a critique of the modern technology based intensive agriculture, exposing the ecological and other implications. Towards solution of the pollution problem, an alternative was dished out in 'organic farming' with emphasis on non-pollution technology, compatible with local conditions and for better resource use. The viability of 'organic farming' was argued, but without any reference to the socio-economic context of the present system. China was cited as the only country espousing and practising integrated farming. However, in spite of the Chinese invocation at the Stockholm Environment Conference that "for fear of choking, one should not stop eating", an extreme view for 'organic farming' persisted in impressions from the discourse.

Special Themes

The expert on qualitative factors enunciated the industry's approach towards the consumer and the influence of the consumer's changing consumption habits. He bemoaned that agricultural production of food has not followed the quality demands of industry. For preservation of quality, he strongly argued the case of chemical additives, against cold storage and freezing. With agricultural production increasingly going to local industries within the developing countries for exporting the semi-processed or fully processed products to the developed ones, attention was drawn to the urgency for international quality controls and for bringing in line with them the national legislations within the developing countries.

Voluminous data on petroleum derived yeast protein presented imposing arguments on the favourable economics, safety and nutritive value of the industrial product. Even the modern energy concern was satisfied with the claim of less than 1 per cent of the total fossil fuel used per year, sufficient to meet the FAO determined shortfall in availability of proteins in the world.

The thesis on fat technology traced the developments from the earliest handpacking to the present in-line, closed system of production and handling of margarine and to the modern product with diverse characteristics to meet different consumer markets. Technological solutions *via* changes in nutritional characteristics of food products, remained the main theme for current health problems arising from the way of life in the affluent countries, and among the affluent ones within the developing countries. In this, linoleic acid came to be presented as the panacea, and palm and sunflower oils got promotion even over soyabean oil. Such tropical oil crops were not necessary locally for the people in the developing countries. Conceding this, a compensation was argued in the favourable opportunity to produce something in great demand in the developed countries.

Overview

Much information on trends in food production and consumption, but none on their effects on industry, was a common reaction among the participants. Evidently, the title of the conference had given rise to expectations in this direction. Moreover, the speakers also tried giving a general impression of the production as something divorced from industries' interests, and unrelated to their pressures and demands. Some even presented the consumer as a subject determining the trends of production, and not as an object for manipulation by the industry to promote products for sale. A general acceptance of these assumptions, with no doubts and questions even among the expert participants, was apparently a result of the whole socio-economic and political background of education, training and promoted way of life and understanding. However, the validity of such assumptions has to be seriously questioned in a critical overview of this conference.

On the trends, under reference at the conference, some of the most obvious posers could be as follows. Is diversification in quality and product manufacture really a result of consumer tastes and desire? Take the case of trend towards more neutral products. Is it not a consequence of the particular industry's aims of wider marketability? If the consumer taste was so determinant, then even after rejection by individual consumers, why this heavily promoted diversion of the simulated meat substitutes towards mass feeding markets? Neither margarine in the past, nor the petroleum protein of the present, in terms of technological development and production, has arisen from some excess availability of the raw material needing a diversion in use on that account. Consumers had definitely not developed a taste for or demanded a butter substitute. Freed from the scare of the health problem created in them, they might still prefer natural butter. Coming to the question of fats, it was remarkable that although the health problems were directly associated with the way of life, instead of asking for a change in the latter, heavy promotion continued for introducing changes in the nutritional characteristics of the products, accompanied with their diversification. Imposing support from modern developments in science and technology came to be used for promotion of new oils, in the name of their nutritional characteristics. And such oils happened to be products from tropical raw materials, as many others, having the potentialities of production in abundance and also in cheapness from the characteristic politico-economics of labour and land resources. Of course, promoted and pressurised production in the developing countries does raise the needs for international quality controls, so vehemently asked for at the conference. Such needs would not arise in case of bilateral trade relations between independent countries, where quality control would be mutually desired and incorporated.

On the general problems of food and nutrition, and particularly those of the developing countries, there was no change in the diversionary elite approaches. Promotion of technology-cum-management intensive approaches has reached the limits of credibility. This was most glaring in citing, for implementation and possible progress, the example of India, well known for the accentuating conditions of mass poverty, hunger and malnutrition. Exponents of benevolent applied nutrition programmes, with public acknowledgement of dependence on private industry manufactured products, can no longer be taken as merely naive, in not understanding the implications of involvement of such firms in activities in the developing countries. In all the themes, systematically any reference to the politico-economic context of the problems was avoided. Also China, for these experts, was a non-entity — a non-industrial country which has solved its food problem and eliminated under-nutrition, malnutrition and poverty from among its common masses, in spite of having much larger population and much less arable land (800 million people and 1.09 million sq km) than either India (563 million on 1.64 million sq km) or USA (99 million on 1.76 million sq km). Nor was it pointed out that foreign sponsored and promoted applied nutrition or other development and production programmes, similar to those in India or elsewhere, were absent in China. For the latter examples, a ready reference may be made to the new sunflower promotion in India, playing down now the former soyabean promotion, but again ignoring groundnut, most important for the local oil economy. Promotional cultivation of palm as an oil crop in Malayasia and Indonesia has also similar foreign interests in the background, as those in India.

An impression could not be avoided of the experts' efforts, through massive and imposing data and argumentation, to underplay or hide the dominant profit motives of the industries. It is well known that these industrial interests pursue constantly only those lines of production which are progressively more profitable. In such pursuits, they go on changing products and their quality, manipulating the consumers through diverse means of promotion and advertisement, and in due course influencing the trends also in agricultural production for supply of raw materials tailored to demands. All themes at the conference, both general and specialised ones, more or less covertly served the industrial interests. Even the theme on organic farming did serve the purpose of presenting an 'objective and impartial' image of this industry and diverting attention from the real issues. In reality, instead of the "Effects on Industry . . .", the correct title for the conference could have been "Effects of Industry on Trends in Food Production and Consumption". Then no cause for expectations and confusion therefrom would have been there, leading to the reaction expressed.

Of the two problems posed by the organisers, not the problem of critical world food situation but that of division of labour between the developed and developing countries received adequate attention. After all, this fits in with the pattern of continuing expansion, exploitation and control by the industrial interests. The supreme purpose continues to be greater markets in the developed countries and among the few affluent people of the developing countries, and increasing exploitation of the cheap labour and land resources of the latter countries. Clearly in the modern world of extreme competition, not all industrial interests of the developed world, but only those remain in the forefront which have the greatest concentration of economic and political power, and of the technological capabilities. Towards that, the themes essentially subserved the interests of the industrial monopolies and cartels, having worldwide capacities of infiltration and pressures. The smaller, national or regional industrial interests of the developed world necessarily remain out of picture.

One is left wondering whether the money and time in such repetitive meetings is in consonance directly with the interests of the sponsors and promoters. Evidently this is necessary, among other indirect benefits, also for nurturing and sustaining the belief and confidence of the people in the operating politico-economic system.

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RADIANT

Delinking, Diffusion and All That

Nireekshak

THE seminar season is yet to taper off in the capital where the ban on the use of air conditioners has been lifted well before the onset of what may be a fiery summer. Time-honoured slogans about the price-page schedule, delinking of newspapers from big business, and diffusion of newspaper ownership were dutifully chanted at the seminar on newspaper economics organised on April 12 by the Indian Federation of Working Journalists. The day-long seminar turned out to be a marathon public meeting; there was no systematic discussion and the papers circulated were poor rehashes of the Bhabatosh Dutta Committee's report on newspaper economics, and the premium was on ministerial speeches. The fact was that the IFWJ — which, together with its rival, the NUJ, represents less than half the working journalists in the country — has no alternative structure to suggest. Judging by what the two ministerial patron-saints of the sponsors (K K Raghunatha Reddy and Inder Gujral) had to say, the government is not clear about anything either. But the Bhabhatosh Dutta Committee's report was there for all to flog.

After that massive mandate in 1971, Raghunatha Reddy was credited with the master plan for delinking and diffusion because the big business newspapers allegedly did not adequately reflect the will and aspirations of the people who had massively given their mandate to Indira Gandhi. What was purported to be a draft bill was surreptitiously put into circulation. When the Chairman of the Press Council asked the government to send an authentic copy of the bill, if any, everyone connected with the operation tried to look as if he had had nothing to do with the draft that had been published in the Press.

The Government has been since then quietly backtracking on both these issues while continuing to maintain in public that the matter has not been shelved. The delay over the Bhabhatosh Dutta Committee's report (not caused by the Committee, though) provided the alibi for lack of action in the direction of delinking and diffusion. In the meantime, Inder Gujral had been discussing the two issues with the editors — or rather how best the Government could back out of its commitment on them without too much loss of face. Inder Gujral must have had a quiet laugh at the total lack of clarity on IFWJ's part; the paper presented by its Secretary-General at the seminar had nothing more positive to say than implore the government for help to small and medium newspapers, and to that weird category of newspapers "which are owned and produced by workers and journalists". What he was pleading for was a government-subsidised sector. He also suggested a new law, to be called the newspaper companies act, to deal with the legal aspects of worker-run newspapers and of diffusion of ownership and delinking of newspapers from big business.

Though delinking and diffusion had a common origin, the government has been labouring hard to differentiate the one from the other and treat them as two separate issues. Which means it wants to effect the *volte face* in two stages — shelve diffusion first and talk only of delinking for some time and then shelve that as well once a satisfactory deal has been struck with the business houses that own the newspapers. The IFWJ swallowed the bait. (Or was it trying to bale the government out of its predicament?) The suggestion made by its leadership at the seminar was rather ambiguous. While the Secretary-General's suggestion in his paper of a newspaper companies law covered not only delinking and diffusion but also "worker-run" newspapers, in the course of the discussion he wanted delinking effected first. The reason cited in favour of such a step was that a debate on diffusion was not possible through papers controlled by big business. Once delinking had taken place, the debate could begin on the need for diffusion and the kind of diffusion needed. While Inder Gujral equivocated on all these issues, Raghunatha Reddy seemed willing to go farther. After delinking, there was the danger of the same group of owners cornering the shares. Any attempt to prevent such cornering might come up against constitutional hurdles. Congress leader Rajni Patel thought the Constitution could be amended when the need arose. Another speaker, a member of the Monopolies Commission, said that the crux of the problem was how to retain the economic advantages of the existing large newspapers without permitting concentration of economic power in a few hands. The problem of delinking of newspaper ownership could be tackled through the relevant section of the Monopolies Act.

Thinking at the seminar seemed to converge on immediate delinking of newspapers from business houses. The Bhabhatosh Dutta Committee had made a case for it but had not suggested the method. But did the government have to wait for the Bhabhatosh Dutta Committee to confirm the existence of monopolistic tendencies in the newspaper industry to work out the mechanics of delinking? Inder Gujral has been saying that the report only confirmed what the government had already apprehended to be the state of affairs in the industry. One hopes the government does not back out on the delinking idea and settle instead for the national sector concept in the newspaper industry, encouraging dubious ventures claiming to be run by workers and working journalists. Co-operative newspapers with rotaries bought at throw-away prices in rupee payment terms are giving place to private limited companies with direct and indirect government patronage. And such ventures are elevated to the level of legitimate trade union activity and struggle against monopoly newspapers. One fails to understand why the worker-journalist owners of newspapers are shy of the co-operative law these days and are run by private limited companies. The demand at the seminar for a newspaper companies law to cover them was not clearly spelt out. It was mentioned in a three-line sentence in the last paragraph of the paper. Perhaps, the end is the beginning.

UN Year Book

ANNUAL national accounts for 121 countries and areas for the years 1960 to 1972 have just been published by the United Nations in the seventeenth Yearbook of National Accounts Statistics. The Yearbook is prepared by the Statistical Office of the United Nations with the co-operation of national statistical services. The present yearbook is in three volumes. Volumes I and II, containing individual country data, give detailed national accounts estimates for 121 countries and areas.

Not by Statistics Alone

M L Dantwala

IF poverty in India has not been reduced or income distribution not improved significantly, it is certainly not because of the dearth of statistical data and their analysis, nor one may say, for lack of academic concern. The magnitude of the problem and the policy implications of planning for minimum needs, with alternative time paths, have been fairly well known. But what the models visualised, planners could not fulfil; and what the planners proposed, the politicians undid. It may perhaps be said that the scholars know more about poverty than about the poor; yet no other group of scholars in India was better qualified to write on the subject than the contributors to the Volume under review.* It is also no coincidence that most of them were associated, in one capacity or another, with the late Pitambar Pant. Pant was one of those few persons whose passion for data was mingled with a purpose and who could give intellectual content to a sentiment. He sought and seduced talent. There could not have been, therefore, a better tribute to his memory than a Volume of articles, by his friends and colleagues, on Poverty and Income Distribution.

It is in the fitness of things that the first article in the Volume is a pioneering study of the Perspective Planning Division of the Planning Commission entitled "Perspective of Development: 1961-76, Implications of Planning for a Minimum Level of Living", prepared under Pitamber Pant's guidance in 1962. As one rereads the article on the eve of the terminal year of the time frame of this study, one becomes acutely aware of the dream we lost, maybe because it was a planner's dream. No one would accuse this perspective of being overambitious. The postulated 7 per cent annual growth during 1966-76 was based on the goal of Rs 20 per month as a national minimum (at 1960-61 prices), to be attained by 1975-76, and a reduction in the concentration ratio of per capita consumption from 0.33 to 0.25. (Even so, in the terminal year, nearly 12 per cent of the population would have remained below the poverty level.)

* Poverty and Income Distribution in India (ed) T N Srinivasan and P K Bardhan, Statistical Publishing Society, Calcutta, 1974.

It was noticed before long that the PPD model and the subsequent ones were not flawless. The very next article in the Volume by Suresh Tendulkar lucidly brings out many of their shortcomings. Tendulkar questions the assumption of invariance of growth strategy in relation to the level of redistribution (implicit in all earlier models including the Fifth Plan Approach document and the Technical Note). The assumption implies that the growth strategy is functionally independent of social objectives of redistribution for reduction of poverty and that the two objectives of growth and social justice can be pursued independently of each other. He has (elsewhere) suggested that it is possible to construct a model which explicitly allows for the interdependence of the two objectives. But then, he pertinently asks: Is it worth doing? The implementation of any such model involves the assumption of political will needed for redistributive planning, which cannot be incorporated in a purely economic planning model. Even so, the model can be meaningful inasmuch as with its solutions, "the planning authority can be confronted with the operational implications of alternative combinations of the levels of social objectives with their associated socio-political consequences". One should prefer such a positive approach to the prevailing mood of futility of academic exercises.

Amartya Sen makes a major contribution to the discussion on measurement of poverty. He suggests that the widely used measure of poverty, namely the number of persons below a normative poverty line, provides a rather restricted perspective to policy measures for reduction of poverty. Pushing the persons just below the poverty line "a little higher up brings in rich dividends in terms of this poverty measure, while the credit for pushing up even poorer people is likely to be zero, unless they are pushed quite a bit". In other words, "the nature of measurement used provides scope for public policy to be concerned with the relatively richer among the poor, ignoring greater suffering". To be more realistic, a poverty measure should take into account not only the *number* of people below poverty line but also the *amounts* by which the incomes of the poor fall short of the specified poverty level. Sen's poverty measure differs from the Gini co-efficient inasmuch as it is concerned only with the people who lie below the poverty line and income differences are calculated from the poverty line and not from the average income of the distribution itself. It also differs from the standard measures of poverty in being more sensitive to the size of the income gaps of the poor and in putting more weight on the relatively poor both (a) by noting their larger income gaps as well as (b) by putting in greater weights *per unit* on their income gaps. Literature on poverty will be richer by this contribution.

Vaidyanathan's paper brings out some interesting relationships between poverty and some parameters of the economy. For example, he shows that the pattern of per capita consumption does not strictly correspond with the pattern of land holdings. Analysis of data from the 11th Round of the NSS shows that households with less than one acre accounted for no more than 20 per cent of all households with per capita consumption of less than Rs 10 per month. On the other hand, barely 5 per cent of rural households with per capita monthly consumption of Rs 21 or more belonged to the category of big landholders (50 acres and above). As against this, more than 10 per cent of this high consumption group (Rs 21 and more) belonged to land holders with less than one acre. Thus, not all big farmers are rich nor all small farmers poor. Data from the 14th Round corroborate this picture. Thus, out of 519 households with per capita monthly consumption of Rs 43 and above, only 43 (8.3 per cent) had an operational holding of more than 30 acres. Surprisingly, the number of households in this expenditure group belonging to households operating less than one acre, was larger (121 or 23 per cent). Factors which partially explain this apparently unexpected relationship are (a) the quality of land, and (b) the size of the family, and probably (c) sources of income other than land. Here is a clear warning to researchers and policy advisers in the field of land distribution.

Another important finding reported by Vaidyanathan on the basis of interstate comparison is that "the degree of inequality seems to bear no consistent relation to the level of per capita consumption". However, Punjab with the highest per capita consumption has also the highest index of inequality. The time-series data in the last decade also

indicate a positive relationship between the average real consumption standards and degree of inequality in real consumption, both having declined during the period. In the light of the above findings, it seems that the critical factors which may help to reduce simultaneously both poverty and inequality are (a) composition of production and techniques used for the purpose, (b) relative prices of goods consumed by the rich and the poor, and above all (c) expansion of productive employment, apart from what can be achieved through a more egalitarian ownership of productive assets.

Though earlier we have termed Sen's measure (P) of poverty as more realistic, its application to NCAER data by I Z Bhatty gives apparently some strange results. The five poorest states in descending order of intensity of poverty as measured by Sen's P coefficient of poverty, with poverty line at per capita income of Rs 360 per annum, turn out to be Gujarat, Tamil Nadu, Madhya Pradesh, Rajasthan and Orissa. The finding is, however, consistent with levels of per capita incomes which are also the lowest for these 5 states.

Apart from the veracity of the data, Bhatty introduces some new elements in his analysis of poverty and inequality. For example, he uses another measure of per capita income which takes into account savings and dissavings by adding net loans (though not change in assets) to the conventional measure. Based on NCAER data, he estimates the proportion of population below different poverty lines (from Rs 180 to Rs 420) separately for the different occupational classes of rural households-cultivators, agricultural labourers, non-agricultural labourers. His rank correlations between poverty co-efficient and (1) mean income, (2) Gini co-efficient of income distribution, (3) per capita operational holding, and (4) Gini co-efficient of land distribution, yield some interesting results. The results show that the dominant influence on absolute poverty is exerted by the mean income (correlation —0.776). Curiously, the rank correlation of poverty and per capita operational holding is positive (significant — for cultivators — at 10 per cent level only) and that of poverty and inequality of the distribution of operational holding negative (though not significant).

Bhatty analyses qualitative differences in the characteristics of poverty of the 5 poorest states, and argues that since the anatomy of the economy in which poverty appears is different, the course of treatment to be effective must also be different. For states like Gujarat and Tamil Nadu, which have a higher 'index of dissaving', transfer of income (supply of cheap subsidised wage goods) to meet the consumption gap would be more appropriate, while for Orissa and Madhya Pradesh, in which both the rates of saving and dissaving are relatively low, a more rewarding approach would be public investment in asset building in agriculture and subsidisation of agricultural inputs.

Pranab Bardhan's comprehensive survey of the literature on poverty and income/consumption distribution tells all that one would want to know on the subject-measurements, methodologies, and that elusive 'price deflator'. But the survey ends on a sobering note: "Very little is known", and what is known leaves much to be desired. For example, (a) apart from the NCAER survey, no other sample survey has directly collected data on income; (b) the NSS consumer data frequently attract the charge of underestimation, and the extent and characteristics of non-response in the survey need investigation; (c) we do not have any satisfactory fractile-group-specific price index; (d) we hardly have any systematic information of the inter-relationships among the pattern of production, distribution of ownership of means of production and the corresponding income generation among various occupational categories of workers and various groups of asset owners; (e) very little is known of the vast unorganised sector; (f) little is known about distribution of the benefits of social services; and (g) what is needed is more light on the *anatomy of poverty*. While some of these problems or issues will take several years and new surveys for their resolution, others such as (d) and (g) can be tackled through imaginative tabulation of the available survey data and they deserve top priority.

Out of the two alternative approaches to the problem of equitable distribution — (1) equitable distribution of the means of production, and (2) equitable distribution of income without equitable distribution of the means of production —, Dandekar and Rath opt for the latter, involving transfer of income from the rich, primarily for financing a scheme of guaranteed right to gainful work. Dandekar and Rath's proposal is to generate massive "regular, full-time employment throughout the year so that it may be regarded as secure and dependable". The effort should be to induce and enable a part of the agricultural proletariat to withdraw, more or less completely, and permanently, from agriculture, rather than seek to accommodate them in slack season in small local works. The scale of the operation may be judged by its cost estimated at Rs 800-1,000 crores a year. Let us avoid pricking the proposal on the ground of feasibility of organisational effort or resources required for the purpose. The authors solve the latter problem by a rather simple device of a 15 per cent cut in the consumer expenditure of the richest 5 per cent and a 7.5 per cent cut in the expenditure of the second richest 5 per cent. Whether this would leave plan resources and private investments unaffected, as desired by the authors, is a moot point.

A more serious question pertains to the herding together into a sort of common pool of the unemployed and the underemployed, men and women, marginal farmers and landless labourers, non-viable rural artisan and casual non-agricultural labourers and the treatment of this pool as a homogeneous and movable commodity to be lifted from agriculture and deployed in secure, regular full-time employment. The poor, if they want work, should be prepared to move wherever gainful work is available; they should not be choosy about the time or the place or the type of work. All this pother about who the unemployed are, their age and sex, occupation, status or class of worker and, above all, their preferences, is irrelevant and diversionary. What matters is simply their common misfortune of unemployment. Even so, if they are unwilling to move out of agriculture, leave them alone to enjoy their leisure!

On a more serious plane, if this landless mass, getting bigger and bigger every year, is not to become a perpetual entity, sooner or later its members must be absorbed in some regular occupation of their own — if not in agriculture (narrowly defined as cultivation of land), in forestry, dairying, ancillary industries, repair shops, trade, transport, etc. Continuing reliance on special employment schemes would imply a failure of the developmental process to provide employment in the mainstream of economic activities.

T N Srinivasan examines, somewhat hurriedly, a large number of policies adopted for reduction of poverty and inequality and finds that none of these have succeeded in achieving their objectives. Indeed, he concludes that "regardless of intentions, the economic policies adopted have by and large benefited the upper income groups". Not only that, some authors whom he has quoted seem to suggest that in the present Indian social and political context, this is almost inevitable.

These judgments need some re-examination. Granted that the incidence of poverty has not diminished over the two decades, is not the economy, at least technically, in a better shape to generate growth and even equity, given the will to move in that direction? Besides, let us consider that this backward and structurally handicapped economy, inherited from colonial rule, accommodated 148 million between 1956 and 1971. Over the same period, the agricultural economy alone has had to accommodate 70 per cent of the additional labour force of some 60 to 64 million. If the agrarian structure today is no better than it was in 1951, notwithstanding abolition of Zamindari over 170 million acres, is it all the fault of agriculture and its institutional structure? How long can even the best of land reforms cope with the task of accommodating the swelling tide of labour force?

As for the SFDA and allied schemes designed to help the poor, Srinivasan quotes N S Jodha's findings that "they helped those who are already better off", and Dantwala, who, on the basis of V R Gaikwad's study, found that "there was a general tendency to divert funds earmarked for the weaker section to big farmers". Yet it would not be correct to generalise from such experiences that all such schemes are worthless. In fact there are other studies which indicate that some of these had a positive impact. A recent study by S M Pande ("Development of Marginal Farmers and Agricultural Labourers", Shri Ram Centre, Delhi) suggests that "assistance received by beneficiary marginal farmers has brought about a noticeable positive change in their relative economic position". If a policy measure has succeeded in one place and failed in another or more than one place, with more or less identical social and political context, it would be fruitful to direct research towards identifying factors which lead to success or failure, instead of delivering a verdict based on the "majority" role.

On the issue of price and distribution policy, contrary to what Srinivasan has said, we would reiterate our view that in the context of shortage and high prices of foodgrains, procurement from surplus farmers, at below the market rates, and its distribution to low income consumers, constitutes one of the best egalitarian policy measures. Srinivasan's reference to the "allegation that public purchasing agents often paid a lower price than the going support price for purchases from small farmers", lacks a sense of proportion. The same may be said about the charge of "fissiparous tendencies" being encouraged by restriction on private trade in interstate movement of foodgrains. It is chimerical to believe that with freedom of movement, the profit-seeking private traders would have moved larger quantities to deficit (and poorer) states and sold them at prices cheaper than those charged under the public distribution system with all its shortcomings. At least in theory, public distribution of foodgrains, procured at lower than the high market prices, is designed to meet the requirements of the low income consumer. The private trader has no such obligation even in theory. The other alleged consequence of the policy, the shift of acreage away from crops whose prices are pegged, is not universal. There are instances where such shifts have not occurred and there are situations in which they may not occur. Incidentally, the pegged procurement price affects only the levy portion of the marketable surplus and the non-levy free price is likely to be higher than the price that would have prevailed in the absence of levy. Lastly, is it so ironic — as Srinivasan laments — that in a period of stress, the Indian farmer is denied in the interest — at least theoretically — of the low income consumer, the price which the nation pays to the foreign farmer! The nation does so many things for the domestic farmer — supports prices in periods of severe decline, supplies him irrigation water and electricity for his pumps, involving huge subsidies — which it does not do for the foreign farmer.

There is no denying that the policy package for reduction of poverty and inequality has not made any significant impact on the problem. Along with Srinivasan, every one would ask: What lessons could be drawn from this picture? One school of thought maintains that nothing significant can be achieved in respect of establishing an egalitarian society unless revolutionary changes in property relations are brought about. The accent is on *revolutionary* changes, for in their own way at least some of the policy measures such as land reforms and the expanding public sector were designed to change property relations. But they failed to do so in any significant measure. Does it follow that it would be futile to go along on this path and force the pace? If all progress is solely dependent on political revolution, the economist *qua* economist may not have much to contribute, except to expose the futility of all economic measures, however progressive in intent so long as property relations remain what they are. Pitamber Pant would hardly have endorsed such a negative role of economists.

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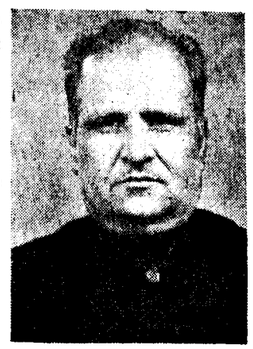
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Some Characteristics of the Agrarian Social Structure of Tamil Nadu

K C Alexander

This paper examines certain characteristics of the agrarian social structure of Tamil Nadu, and attempts to explain the reasons for the emergence of these characteristics. These characteristics are the outcome of certain sociological forces which can be identified. The fact that among the four Dravidian linguistic states of South India, only the Tamil speaking people (except in Kanyakumari district) were not divided into different political entities, gave an extra force to these sociological elements in Tamil society, by facilitating greater geographical mobility of the people.

The analysis is based on data derived from the 1961 census, available through the District Census Handbooks, and other connected publications. Even though this information might appear to be not up-to-date, it was considered adequate because the present analysis aims to find an explanation for the emergence of a particular agrarian structure with certain characteristics. The analysis is done at the macro level, with the district as the unit.

In view of the peculiar geographical and agricultural characteristics of the Nilgiri district, it has been excluded from the analysis. Kanyakumari district too is not included in the analysis because, geographically and culturally it is more akin to Kerala and until the reorganisation of the states in 1956 was part of the erstwhile Travancore State. Data from the remaining 10 districts are used.

I
Basis of Social Stratification

SOCIAL *stratification*[1] denotes the arrangement of the units of a social system in a hierarchy. The units, which are thus arranged, can be unit acts, roles, collectivities or personalities. The ranking of a unit, and placing of it at a particular position in the social hierarchy, is done by evaluating it (i e, the unit) in accordance with the standards of a common value standard. The value standards with reference to which the units are evaluated are organised in a hierarchical system. A unit valued higher by a higher value standard has a higher rank than one valued higher by a subordinate value standard.

The judgments of evaluation are not applied to the system units as such, but to particular properties of that unit — which may include qualities, performances, and possessions. This means that, on purely evaluative terms, the rank of a unit in the social system is decided by its qualities, performances, and possessions. Apart from the basis of the evaluation, the position of a unit in the hierarchy is influenced also by its 'power' — i e, its *capacity to actualise its interests* (attain goals, prevent undesired interference, command respect, control possessions, etc) within the context of system interaction.

Power is closely related to 'authority' — i e, the institutionalised role expectation which legitimises the exercise of coercive sanctions over others. Norms apart, control of possessions, by providing differential advantage in bringing about a desired result (including preventing one not desired), is also a source of power (means). It is also a source of gratification, or of a symbol associated with such gratification. The three sources of rank are interdependent, so that 'position' with respect to any one of them will be correlated with the position on each of the others; but they will also be, to some degree, independent. Consequently, units which occupy higher positions in the social hierarchy are likely to have properties more or less equally evaluated, on the axes of value standards, power, and possessions.

We may now try to apply the principles of social stratification, described above, to the Tamil society. In this society — as elsewhere in India — ritual purity as institutionalised in the caste system, was the paramount value standard. The appropriateness or inappropriateness of various other things — such as occupation, food, social relations — were based on this paramount value. In the occupational sphere, the pursuit of Sanskritic religious activities, such as study of *Vedas* and performance of rituals at Sanskritic temples, were highly evaluated. On the other hand, manual labour, especially work in agricultural fields, was very lowly evaluated.[2] Manual occupations, associated with agricultural occupations, were themselves also not of equal status. Here, too, tasks connected with cultivation were valued lower than other manual occupations. On the other hand, occupations such as trading which did not involve manual work in the fields were more respected.

Self-employment occupied a higher position in the hierarchy than did wage employment, particularly when there was wage employment for other individuals. Here also, the nature of work came into consideration. Thus casual employment in the agricultural field was less respected than other modes of casual labour — such as work in a shop. However, because of the relative respectability of self-employment, those who did not own their own land for cultivation, tried to become the more respectable group of cultivators by renting in land from others, On the other hand, because of the low evaluation of agriculture, many landowners themselves were anxious to lease out their land and to get it cultivated through the efforts of others.

Tasks connected with the cultivation of different crops were differentially evaluated. In this respect, tasks connected with wet paddy cultivation occupied a status lower than other tasks connected with the cultivation of other crops — such as climbing of trees, plucking of cotton, or work on dry farms. The divergent tasks connected with paddy cultivation occupied different positions too. Here also tasks such as spraying of fertilisers, pesticides, letting in and draining out water, keeping watch over the farm, etc, occupied positions higher than tasks such as ploughing, preparation of the field, plucking of seedling, transplanting, etc. Corresponding to the hierarchical ordering of the different tasks connected with agriculture, there was a hierarchical ordering of occupational groups. In very broad terms, landlord (*Mirasdhars*), owner-cultivators (*Sagupadidhars*), tenant-cultivators (*Kuthakaidhars*), free and tied agricultural labourers (*Vyavasaya Thozilalies and Pannaiyals*, respectively), were the prominent occupational statuses — in descending order of importance — prevalent in Tamil Nadu.

In an economy dominated by subsistence cultivation, production of foodgrains is the important economic activity. The question of what is one's 'food' is decided primarily, not on the basis of a scientific analysis of the nutritive value of different food items, but on the social evaluation of different food items, made with reference to the prevailing valuative norms. Based on these norms, the foodgrains are arranged in a hierarchical order. Among the different foodgrains — such as rice, cholam, cumbu, ragi — rice occupied the highest rank in the Tamil culinary hierarchy. In Tamil Nadu, almost all the important food preparations are made of rice. Its importance in social life is also reflected in the status ascribed to it in rituals, wherein rice is considered an auspicious item. Compared to rice, other grains such as cholam, cumbu occupied a very low status in the dietary hierarchy. Thus all those who could afford to do so, tried to eat rice. Only the poorest section of the population ate grains like cholam.

Because of the high status occupied by rice in the dietary hierarchy, people were motivated to cultivate it in the best land as also wherever its cultivation is possible. Paddy was thus cultivated in land with good soil and land where irrigation was available. Because of such a tendency, one could expect to find a close association between the proportion of cultivated land under paddy (i e, the most valued food crop) in a district and the proportion of land in the district under irrigation (i e, the best land available for cropping).

In a subsistence economy, cultivation of one's foodgrain requirements in one's own field is greatly valued. Land where paddy could be cultivated was more evaluated than other lands. Because of this, the demand for paddy fields was greater than the demand for other land. This made paddy fields a valuable possession which, those who occupied high status in the society, tried to amass as much as possible.

Even though paddy, as a foodgrain, was highly valued, the organisation of work connected with its production — that is the social organisation of paddy production — took place within the evaluative framework of occupations referred to earlier. As a result, while on the one hand paddy fields were considered a valuable possession which made available a very valued food item, personal work in paddy fields, connected with and necessary for its cultivation, was devalued.

Therefore, socially successful persons amassed paddy fields, but got it cultivated without personally involving themselves in its cultivation — either by leasing out the land, or by appointing supervisors or agents to look after their cultivation interests. Those who occupied a status lower than this group, supervised the cultivation of their fields, while persons at still lower levels tilled their own fields or cultivated land as tenants. Because of the low evaluation of work connected with paddy cultivation, all these higher categories of farmers tried to avoid actual work in paddy fields, and got it done through labourers.

Because of the correlation among different sources or bases of social status, there would be a correlation between one's status on the basis of occupational hierarchy and other bases of status such as caste, wealth, possessions, etc. It might be expected that, as a result of this, members of the castes on the higher rungs were likely to be the main

TABLE 1: NET AREA UNDER CULTIVATION AND AREA UNDER DIFFERENT SOURCES OF IRRIGATION, 1959-60

(Acres)

District	Net Area Cultivated	Canals	Tanks	Wells	Other Sources	Total Area Irrigated
Chingleput	835,371	7,132 (0 9)	390,559 (46.8)	95,609 (11.4)	17,498 (2 1)	510,798 (61.1)
North Arcot	1,232,474	28,891 (2.3)	202,045 (16 4)	186.241 (15.1)	7,580 (0.6)	424,757 (34.5)
South Arcot	1,324,607	183,336 (13.8)	262,350 (99.8)	108,581 (8.2)	36,985 (2 8)	591,247 (44.6)
Salem	2,003,905	69,109 (3.4)	69,794 (3.5)	187,906 (9.9)	4,988 (0 2)	331,797 (16.6)
Coimbatore	1,804,558	257,598 (14.3)	17,089 (0.9)	350,042 (19.4)	12,317 (0 7)	637,044 (35.3)
Nilgiris	117,544	47,126 (4.1)	75,110 (63.9)	—	4,692 (4.0)	126,928 (72.0)
Madurai	1,390,747	149,906 (10.8)	141,962 (10.2)	167,824 (12.1)	7,013 (0 5)	466,705 (33.6)
Tiruchirappalli	1,730,221	197,243 (11.4)	161,882 (9 4)	115,359 (6.7)	5,515 (0.3)	479,999 (27.8)
Thanjavur	1,435,324	1,151,956 (80.3)	55,582 (3.9)	110 —	7 —	1,207,655 (84.2)
Ramanathapuram	1,363,312	825 (0.1)	562,572 (41.3)	55,148 (4.0)	349 —	518,894 (45 4)
Tirunelveli	1,184,572	55,764 (4.7)	175,315 (14.8)	116,030 (9.8)	4,781 (0.4)	351,890 (29.7)
Kanyakumari	191,489	27,136 (10.2)	405,70 (15.2)	— —	31 —	67,737 (25.4)
State	14,614,124	2,176,022 (14.9)	2,160,828 (14.8)	1,382,850 (9.5)	101,756 (0.7)	5,715,451 (39.9)

Note: Figures in brackets indicate percentage in relation to net area cultivated.
Sources: *District Census Handbooks* based on 1961 census.

TABLE 2: GROSS CROPPED AREA AND PERCENTAGE OF LAND UNDER IMPORTANT CROPS

District	Gross Cropped Area	Paddy	Cholam	Cumbu	Ragi	Millets (columns 4+5+6)	Other Foodgrains including Pulses	Total Oil-seeds	Cotton	Orchards and Garden Produce
Chingleput	1,132,753	74.92	—	—	7.40	7.4	—	9.79	—	18.13
North Arcot	1,488,713	31.53	7.69	—	6.6	14.3	13.10	32.58	—	—
South Arcot	1,610,575	37.14	7.0	7.86	—	14.9	12.39	21.19	—	—
Salem	2,287,691	10.65	15.9	11.0	14.5	41.4	25.52	14.46	—	—
Coimbatore	2,243,955	12.10	21.7	7.3	—	29.0	14.14	16.41	12.82	—
Nilgiris	122,236	6.72	—	—	—	—	—	—	—	22.79
Madurai	1,577,589	23.41	22.78	—	—	22.8	14.35	16.65	8.06	—
Tiruchirappalli	1,966,836	26.27	16.49	12.52	—	29.0	14.86	17.10	—	—
Thanjavur	1,864,051	78.22	—	—	—	—	—	5.43	—	—
Ramanathapuram	1,474,934	33.70	2.16	10.57	6.3	18.9	13.71	7.60	13.42	—
Tiruneveli	1,412,613	25.38	6.54	14.29	—	20.8	11.92	4.09	17.41	—
Kanyakumari	266,664	52.14	—	—	—	—	—	10.57	—	23.42

landowners, and castes on the lowest rungs were likely to be agricultural labourers; and castes in the middle level were likely to be the lease-holders. Not only were the lower castes likely to be employed in the low occupation of agricultural wage earners, but even among them the lowest ones were likely to be employed in the meanest job — *viz*, wet paddy cultivation — while the better among these (low castes) were likely to be employed in the better tasks available for agricultural wage earners. It is to be expected then that there would be greater concentration of Scheduled Castes in those areas where the lowest occupations — *viz*, work for wet paddy cultivation — were concentrated. This would happen in the different districts of a state, in the different taluks within a district, or even within different villages within a taluk — where geographic mobility of people was possible and occurring.

Because of the great demand for paddy, it could be expected that those who owned paddy fields and got it cultivated through others were also likely to be a higher proportion of the population in those areas where paddy was the main crop. In operational terms, this has two implications. First, Brahmins and other higher castes occupying the highest status in the society were likely to be more in those areas where more land was under paddy cultivation. Secondly, land under tenancy was likely to be more in those areas where more land was under paddy cultivation.

Based on these findings, the following hypotheses about the nature of association among the extent of land under irrigation, the cropping pattern, and certain characteristics of the agrarian social structure, are formulated:

(1) The proportion of land under paddy in a district is likely to be related to the extent of land under irrigation there.

(2) The proportion of land under tenancy in a district is likely to be related to the cropping pattern; land under tenancy being more in districts where more area is under paddy.

(3) The percentage of Scheduled Castes in the population of a district is likely to be related to the cropping pattern — being more if the gross cropped area under paddy in that district is more.

With this background, we may now examine certain characteristics of the agrarian social structure of Tamil Nadu.

II

Geography and Cropping Pattern

Tamil Nadu[3] has a rhomboidal shape bordered by the ramparts of the Western and Eastern Ghats and the sea on the eastern and the south-eastern sides. Broadly, the state falls into two parts — the plains on the eastern coastline and the mountainous region in the north and west. The rivers of the state generally flow eastward, from the Western Ghats and are rainfed. Among the rivers, Cauvery is the most prominent. The state gets rain from the south-west monsoon (June-September) and north-east monsoon (October-December). The districts of Chingleput, South Arcot, Thanjavur, Madurai, Ramanathapuram, and Tirunelveli, depend mainly on the north-east monsoon. The normal rainfall is 40 to 45 inches in the South Arcot and Thanjavur districts, and 30 to 35 inches in others. The districts of North Arcot, Salem, Coimbatore, and Tiruchirappalli in the central region depend on both the south-west and north-east monsoons, and the normal rainfall in North Arcot and Tiruchirappalli district is between 30 and 35 inches of rain from the south-west monsoon. The total rainfall in the districts of North Arcot, South Arcot, Chingleput and Thanjavur is higher than in the remaining districts — except Nilgiri and Kanyakumari.

The soil map of the state shows the existence of three principal types of soil. Red soil is spread over almost the entire upland region, lying between the two ghats, interspersed with a few patches of black cotton soil. And alluvial soil is found mainly in the coastal areas.

TABLE 2A: PERCENTAGE OF HOUSEHOLDS CULTIVATING OWN, RENTED AND OWN AND RENTED LAND, AND THE PERCENTAGE OF LAND UNDER THESE TENURES (BASED ON 20 PER CENT SAMPLE)

District	Percentage of Household Cultivating			Percentage of Land Under		
	Own Land	Rented Land	Own and Rented Land	Own Cultivation	Tenant Cultivation	Owner Tenant Cultivation
Chingleput	67	14	19	70	7	23
North Arcot	83	9	11	84	4	12
South Arcot	81	8	12	82	4	14
Salem	88	5	7	88	3	9
Coimbatore	80	11	10	81	7	12
Madurai	79	10	11	79	6	15
Tiruchirappalli	77	9	13	81	4	15
Thanjavur	48	33	19	44	29	27
Ramanathapuram	78	8	14	78	4	18
Tirunelveli	73	14	14	81	4	15

Rain and soil apart, the availability of irrigation is an important factor which influences the cropping pattern. The proportion of net area sown under irrigation in each district, source-wise, is given in Table 1. For the state as a whole 40 per cent of the cropped area is irrigated, of which 15 per cent is irrigated by canals, 15 per cent by tanks, and 10 per cent by wells. The principal source of irrigation varies from district to district. Canal irrigation is predominant only in Thanjavur district, where it irrigates as much as 80 per cent of the net area cultivated. Next in this respect are Coimbatore and South Arcot districts, with 14.3 per cent and 13.8 per cent of the cultivated area under canal irrigation. Tank irrigation is predominant in the districts of Chingleput (46.8 per cent of cultivated area) and Ramanathapuram (41.3 per cent). Significant percentages of the cultivated area are irrigated through tanks in North Arcot (16.4 per cent), and South Arcot (19.8 per cent) districts also. Well irrigation is predominant in Coimbatore (19.4 per cent), North Arcot (15.1 per cent) and Madurai (12.1 per cent). All sources combined, 84 per cent of the net cultivated area of Thanjavur, 61 per cent of Chingleput, 45 per cent of South Arcot, 35 per cent of Coimbatore, and 34.5 per cent of North Arcot, are irrigated. Combining the quality of soil and the availability of rain and irrigation water, it becomes clear that, geographically, the most suitable area for agriculture is the eastern coastal strip, comprising the districts of Chingleput, Thanjavur, and South Arcot.

The gross cropped area in each district and the percentage of this area under important crops are given in Table 2. It indicates that paddy is the only crop cultivated, in at least 10 per cent of the cropped area of all the districts. Thanjavur (78.2 per cent of cropped area), Chingleput (74.9 per cent), South Arcot (37.1 per cent), and North Arcot (31.5 per cent), are the four districts where a substantial proportion of cropped area is under paddy. The percentage of gross cropped area under paddy was 10 per cent only in Salem and Coimbatore.

Cholam is another foodgrain cultivated fairly extensively in Tamil Nadu. Madurai and Coimbatore are the two areas, where the largest percentage of cropped area (about 22 per cent) is under this crop. Cholam is the most extensively cultivated crop in Coimbatore and Madurai districts. Cumbu and ragi are fairly extensively (more than 10 per cent of gross cropped area) cultivated in Salem, Tiruchirappalli, Ramanathapuram and Tirunelveli.

The percentage of gross cropped area under other foodgrains — including pulses — varies from 12 to 25 per cent in all the districts — except Thanjavur and Chingleput. While, in Thanjavur, no foodgrain other than paddy is cultivated in more than 5 per cent of the area, in Chingleput, millets are cultivated in about 7 per cent of the area.

The main oilseed cultivated in Tamil Nadu is groundnut. The percentage of area under this group of crops is the highest in North Arcot (32.6 per cent), and South Arcot (21.2 per cent). Fairly large proportions of cropped area are under cotton in Tirunelveli (17.4 per cent), Ramanathapuram (13.4 per cent), and Coimbatore (12.8 per cent).

The above analysis indicates that the cropping pattern of a district is closely related to the extent of land under irrigation, and that the cultivation of paddy is closely associated with the extent of land under irrigation in a district. A rank correlation test indicated that the association between the percentage of land under irrigation and the percentage of gross area under paddy in each dis-

STATEMENT 1: SUMMARY OF THE RESULTS OF RANK CORRELATION TESTS

Variables	p	t	Level of Significance
Percentage of cultivated area under irrigation and percentage of gross cropped area under paddy.	0.880	5.27	S*
Percentage of gross cropped area under paddy and density of population.	0.648	2.44	S
Percentage of gross cropped area under paddy and percentage of Scheduled Castes in the population.	0.991	2.15	S*
Percentage of gross cropped area under paddy and percentage of agricultural labourers among workers.	0.732	3.04	S
Percentage of gross cropped area under paddy and percentage of agricultural labourers.	0.331	0.99	NS
Percentage of gross cropped area under paddy and percentage of agricultural labourers in the population.	0.661	2.59	S
Percentage of Scheduled Castes in the population and the percentage of agricultural labourers in the population.	0.690	2.70	S
Percentage of gross cropped area under paddy and percentage of agricultural labourers among Scheduled Castes.	0.545	1.86	NS
Percentage of agricultural labourers among workers and percentage of Scheduled Castes in the population.	0.790	3.65	S*

NS = Not significant;
S = Significant at 5 per cent level;
S* = Significant at 1 per cent level.

TABLE 3: PERCENTAGE OF GROSS CROPPED AREA UNDER PADDY AND THE PERCENTAGE OF SCHEDULED CASTES AND SCHEDULED TRIBES IN THE POPULATION

Districts	Gross Cropped Area under Paddy	Scheduled Castes	Scheduled Tribes
Chingleput	74.9	28.1	1.19
North Arcot	31.5	19.7	1.88
South Arcot	37.1	26.3	0.44
Salem	10.7	14.5	2.64
Coimbatore	12.1	15.0	0.56
Nilgiris	6.7	19.0	3.16
Madurai	23.4	15.3	0.17
Tiruchirappalli	26.3	17.7	0.27
Thanjavur	78.2	23.1	—
Ramanathapuram	33.7	15.4	—
Tirunelveli	25.4	15.8	—
Kanyakumari	54.3	4.0	0.17

TABLE 4: DENSITY OF POPULATION AND PERCENTAGE OF WORKERS, AGRICULTURAL LABOURERS AND CULTIVATORS

Districts	Density of Population (persons/ sq mile)	Total Population (in 000)	Total Workers (in 000)	Percentage of				
				Workers in Total Population	Cultivators among Workers	Agricultural Labourers among Workers	Cultivators in Population	Agricultural Labourers in Population
Chingleput	696	2,196	953	43	35	25	15	11
North Arcot	671	3,146	1,469	47	51	17	24	8
South Arcot	724	3,048	1,397	46	49	29	23	13
Salem	539	3,804	1,952	46	55	13	28	7
Coimbatore	590	3,558	1,712	48	30	16	15	8
Madurai	660	3,211	1,460	45	39	20	18	9
Tiruchirappalli	579	3,190	1,573	49	55	16	27	8
Thanjavur	868	3,246	1,364	42	36	33	15	14
Ramanathapuram	502	2,422	1,161	48	53	14	25	7
Tirunelveli	619	2,730	1,245	46	35	16	16	7
State	672	33,687	15,352	46	42	18	19	8

trict is significantly related. (Summary of the results of rank correlation tests of association between different variables are given in Statement 1.) Such an association should be considered due to the high evaluation of rice in Tamil society, and the resulting motivation of the people to cultivate it in all possible, as well as the best, soil available.

III

Density of Population

Information on the different aspects of the social structure are given in Table 4. The density of population for the whole of Tamil Nadu in 1961 was 672 persons per square mile, but it varied from district to district — with 868 persons per square mile in Thanjavur to 539 persons in Salem. If we examine the variation of the density of population in different districts with the proportion of gross cropped area under paddy, it is noticed that the two vary more or less in the same rate. For example, Thanjavur, Chingleput and South Arcot — the three districts with the largest proportion of land under paddy — also have the highest density of population in the state. On the other hand, Salem and Coimbatore, the two districts with the lowest proportion of land under paddy, also have the lowest density of population in the state. A rank correlation test, between the percentage of land under paddy and the density of population in different districts, indicated that the association between the two is significant at a 5 per cent level.

The close assocation between paddy cultivation and density of population is understandable, as paddy cultivation is associated with irrigation and better soil — increasing the carrying capacity of land. The large labour requirement for paddy cultivation, and its unique value as the staple food of the population, might also have contributed to the higher density of population in the paddy cultivating districts.[4]

IV

Variation in Interest in Land

The percentage of land under owner cultivators, tenant cultivators, and owner-cum-tenant cultivators, was computed from the information given in this regard in the District Census Handbooks (Table B XI) based on a 20 per cent sample of the households engaged in cultivation. Based on this information, the percentage of households cultivating their own land, exclusively leased in land, and owned and leased in land, were computed. Besides, the percentage of land of this 20 per cent of houseeholds under owner-cultivation, tenant cultivation, and owner-cum-tenant cultivation, were also calculated. The results of these analyses are summarised in Table 2A.

A persual of Table 2A shows that the percentage of households cultivating owned land is the lowest in Thanjavur and Chingleput — the two districts with the largest percentage of area under irrigation and paddy. On the other hand, the two districts wherein the percentage of owner households is the highest are: Salem, North Arcot, and Coimbatore — of which Salem and Coimbatore are districts with the lowest proportion of land under paddy.

The percentages of cultivated land under owner, tenant, and owner-cum tenant cultivators (households), are also given in Table 2A. The area under exclusive owner cultivation varied from 44 per cent to 88 per cent — quite a wide range. The districts with the largest proportion of land under owner cultivators were Salem (68 per cent), and North Arcot (84 per cent) — two districts with relatively low, if not the least, proportion of land under irrigation and under paddy. The proportion of land under ownership cultivation is also more in other districts with less land under irrigation and paddy, such as Coimbatore, Tiruchirappalli and Tirunelveli. The inverse of this is that the percentage of cultivated area under tenants and owner-cum-tenants is less in the districts with less area under irrigation and paddy cultivation (Table 2A).

The two districts with the lowest proportion of land cultivated under owner-cultivators are: Thanjavur (44 per cent), Chingleput (70 per cent), and Ramanathapuram (78 per cent) — the very districts with the largest proportion of land under irrigation and paddy cultivation. The inverse of this is that the proportion of land under tenants and tenant-cum-cultivators is the highest in Thanjavur, Chingleput, and Ramanathapuram. Thus an inverse association in a district, between the proportion of gross cropped area under irrigation and paddy cultivation on the one hand and the proportion of land under owner cultivators on the other, is discernible. A rank correlation test indicated that the association between the two variables is significant at a 5 per cent level (PO 657; t=24.8).

The greater incidence of tenancy, in districts with more land under irrigation and under paddy cultivation, seems to be due to the greater demand for land where paddy could be cultivated leading to its high social evaluation. Such evaluation made it a valuable possession for those who occupied high

TABLE 5: PERCENTAGE OF SCHEDULED CASTES AMONG WORKERS, CULTIVATORS AND AGRICULTURAL LABOURERS AND PERCENTAGE OF AGRICULTURAL LABOURERS AMONG SCHEDULED CASTES

Districts	Percentage of Scheduled Castes				Percentage of Agricultural Labourers among Scheduled Castes
	In Population	Among Workers	Among Cultivators	Among Agricultural Labourers	
Chingleput	28	33	24	61	23
North Arcot	20	24	18	46	18
South Arcot	26	32	21	57	28
Salem	17	19	14	42	18
Coimbatore	16	17	4	42	20
Madurai	15	18	12	36	21
Tiruchirappalli	17	21	16	44	20
Thanjavur	23	31	19	62	37
Ramanathapuram	15	18	17	35	16
Tirunelveli	16	20	21	42	20
State	18	22	16	48	21

status in the society, both because of its symbolic and instrumental significance. However, the fact that, while the possession of paddy fields was highly valued, personal involvement in its cultivation was looked down upon seems to have led many who owned land to get the fields cultivated through others by leasing out the land, resulting in the greater incidence of tenancy in irrigated, paddy-cultivating, areas.

V

Caste

In terms of caste, social anthropologists who have studied Tamil society have divided the population into three broad groups — Brahmins (highest group), Non-Brahmins (middle group), and the Scheduled Castes.[5] As recent censuses do not give the caste background of the population, except that of the Scheduled Castes and Scheduled Tribes, it has not been possible to keep the distinction between Brahmins and Non-Brahmins in this analysis; we have therefore had to content ourselves with dividing the population into two broad categories of 'high castes' and Scheduled Castes.

The percentage of the Scheduled Castes in the population of the different districts is seen in Table 3. Their percentage in the whole state was 18 in 1961, but it varied from district to district. It was the highest in the districts of Chingleput (28 per cent), South Arcot (25 per cent), and Thanjavur (23 per cent); their percentage was the lowest in Salem (15 per cent) and Coimbatore (15 per cent). It was mentioned, earlier, that Chingleput, South Arcot, and Thanjavur, are the three districts with the largest proportion of gross cropped area under paddy, and that Salem and Coimbatore are the two districts with the lowest proportion of gross cropped area under paddy. Thus, we notice that there is a positive association between the percentage of gross cropped area under paddy in a district and the percentage of Scheduled Castes in its population. A rank correlation test confirmed that the association between these two variables is statistically significant at a 1 per cent level of significance (p=0.991; t=21.5).

The higher percentage of Scheduled Castes in paddy cultivating areas can be explained in terms of the occupational evaluation prevalent in society. It was mentioned that tasks connected with wet paddy cultivation were one of the least valued occupations. As a result, most of the occupations available in society were these lowly-valued occupations, which persons from higher castes preferred to avoid. The resultant vacuum was filled up by the Scheduled Castes attracted to these jobs from other parts, resulting in a greater proportion of Scheduled Castes in the population of these paddy-growing districts.

VI

Occupational Structure

Workers: Details about the occupational characteristics of the population of different districts are given in Table 4. In 1961, 46 per cent of the population of the state were 'workers' engaged in productive labour. The percentage of workers in the population was less than the state average in Thanjavur (42 per cent) and Chingleput (43 per cent). The districts with the largest percentage workers among the population were Tiruchirappalli (49 per cent), Coimbatore (48 per cent), and Ramanathapuram (48 per cent). Of these three, the former two are districts wherein the extent of land under paddy is very low. Thus, it seems that, districts with large percentage of land under paddy have a lower percentage of their population engaged in productive labour.

The lower percentage of workers in the paddy-growing districts — despite the larger labour requirement for paddy cultivation — is noteworthy. This raises the question: why does there exist greater concentration of the economically non-active population in the paddy-growing areas? It seems that there are two probable reasons for this. The very high position occupied by rice attracted those who occupied a high social status — such as Brahmins and Mudaliars — to areas where paddy lands were available in plenty and to acquire it. At the same time, because of the low evaluation of productive labour in general, and manual labour in particular, a significant section of this population abstained from productive work and whiled away their time in socially unproductive occupations. Secondly, it may be that, as more than 70 per cent of the gross cropped area was under paddy, work in the paddy fields (an occupation very much devalued) constituted a large segment of the available occupations, so that opportunity for work in relatively respectable occupations — in which men and, particularly, women of middle castes could engage — were less. The absence of the availability of such 'suitable' occupations might also have made it inevitable for some members of the society to desist from work.

Agricultural Labourers: The percentage of agricultural labourers among the workers of each district is given in Table 4. Only 18 per cent of the workers in Tamil Nadu were agricultural labourers, but this percentage varied widely from district to district. The percentage of labourers among the workers was the highest in Thanjavur (33 per cent), South Arcot (29 per cent), and Chingleput (25 per cent) — the

TABLE 6: PERCENTAGE OF WORKERS, CULTIVATORS AND AGRICULTURAL LABOURERS IN 1961 AND 1971

District	1961			1971		
	Workers in Population	Cultivators among Workers	Labourers among Workers	Workers in Population	Cultivators among Workers	Labourers among Workers
Chingleput	43	35	25	35	26	31
North Arcot	47	51	17	37	37	31
South Arcot	46	49	29	36	40	35
Salem	46	55	13	40	34	27
Dharmapuri	—	—	—	38	56	24
Coimbatore	46	30	16	41	23	31
Nilgiris	46	19	11	39	5	8
Madurai	45	39	20	38	29	32
Tiruchirappalli	49	55	16	38	44	25
Thanjavur	42	36	33	34	29	41
Ramanthapuram	48	53	14	37	38	25
Tirunelveli	46	35	16	38	24	30
Kanyakumari	35	21	9	29	17	35
State	45	42	18	37	31	29

three districts with the largest gross cropped area under paddy. The districts with the lowest proportion of agricultural labourers among the workers were: Salem (13 per cent) and Ramanathapuram (14 per cent) — districts with a low percentage of gross cropped area under paddy. A rank correlation test, between the percentage of agricultural labourers among the population of a district and the percentage of gross cropped area under paddy, indicated that the association between the two is significant at a 5 per cent level ($p = 0.661$; $t = 2.59$;), indicating that the two are interrelated variables.

Cultivators: Table 4 also gives the percentage of cultivators in each district in relation to the workers and total population of the district. Cultivators, constituting 42 per cent of the workers, were the largest occupational group in Tamil Nadu in 1961. The percentage of cultivators varied from district to district. The districts, where the percentage of cultivators among the workers was the lowest, where: Thanjavur (36 per cent), Chingleput (35 per cent), and Coimbatore (30 per cent). The first two among these three are districts with the largest proportion of land under paddy. The case of Coimbatore seems to be an exception from the general pattern, and this seems to be due to the larger proportion of people in non-agricultural occupations in the district. On the other hand, districts with the largest percentage of cultivators among the workers are Salem (55 per cent) and Tiruchirappalli (55 per cent) — districts where the percentage of gross cropped area under paddy was lower. Thus the proportion of the cultivators among the workers of a district seems to be inversely related to the proportion of gross cropped area under paddy in it.

An examination of the pattern of variation of cultivators and agricultural labourers in the different districts indicates that the variation in the two are inter-related: variation in the one is a mirror-reflection of the variation in the other.

The ratio between the percentage of cultivators and agricultural labourers among the workers in each of the districts is also noteworthy. The cultivator/labourer ratio is 42:18 for Tamil Nadu as whole. This means that, numerically, cultivators are much more predominant than the labourers. Such a numerically unfavourable ratio for agricultural labourers is to be discerned in most districts — save Thanjavur which has a cultivator-labourer ratio of 36 : 33 and Chingleput which has a cultivator-labourer ratio of 35 : 25. On the other hand, this ratio is extremely unfavourable for labourers in the non-paddy cultivating districts such as Salem and North Arcot, wherein for every agricultural labourer there are more than four cultivators. This numerical element seems to be a factor in the changing labourer-cultivator relation in Thanjavur. It is only in Thanjavur district, where there is numerical parity between the cultivators and the agricultural labourers, that the latter have been able to conduct agitations against cultivators, and extract substantial benefits from them.

VII

Caste and Occupational Structure

It was mentioned, earlier, that all productive labour in general, and manual labour in particular, occupied a relatively low status in the occupational hierarchy. Two sorts of impact of such an evaluation on the occupational structure could be envisaged. First, because of such an evaluation, there was likely to be a tendency on the part of those in a socially superior position to abstain from any productive work. This meant, in terms of caste, that the percentage of higher castes among the workers would be less than their proportion in the population; and the percentage of the lower castes among the workers, especially the Scheduled Castes and Scheduled Tribes, is likely to be greater than their proportion in the population. Secondly, as self-cultivation is more prestigious than wage labour, the percentage of higher castes working as self-cultivators is likely to be more than their proportion in the population. Thirdly, as agricultural labour is one of the least valued occupations, the percentage of those who occupied the lowest position in society, *viz*, the Scheduled Castes and the Scheduled Tribes, among the agricultural labourers are likely to be larger than their proportion in the population. Further, as tasks connected with paddy cultivation occupied a lower status even among the many agricultural tasks, the percentage of Scheduled Castes among the agricultural labourers is likely to be more among labourers in districts where a higher proportion of land is under paddy. This, in terms of an operational hypothesis, means that the percentage of Scheduled Castes among the agricultural labourers of a district is likely to be related to the percentage of cropped area under paddy. It is within this framework, that the relation between caste and occupational differentiation is examined here.

The analysis, for understanding the relation between caste and occupational structure, was confined to the Scheduled Castes, as the residual category was constituted of the higher castes — because of the negligible proportion of tribals in the population of the districts under consideration (Table 3). The percentages of Scheduled Castes among workers, cultivators, and agricultural labourers, are given in Table 5.

A comparison of the percentage of the Scheduled Castes in the population of a district (Table 3), with their percentage among the workers (Table 5), indicates that the latter is more than the former in every district. The percentage of Scheduled Tribes being negligible, the inverse of this is that the percentage of higher castes among the workers is less than their overall proportion. Such a difference indicates that those who abstained from work are more among the higher castes and less among the Scheduled Castes.

The percentage of cultivators among the Scheduled Castes is given in Table 5. A comparison of this with the percentage of Scheduled Castes in the population indicates that the former is lower than the latter. For the state as a whole, the percentage of Scheduled Caste cultivators (16 per cent) among the workers is less than their proportion in the population (18 per cent). The inverse of this is that the percentage of higher castes working as cultivators is more than their proportion in the population.

The percentage of Scheduled Castes among the agricultural labourers also deserves comment (Table 5). Against 18 per cent in the population of the state, the proportion of Scheduled Castes among the agricultural labourers was 48 per cent, i e, about two-and-a-half times their percentage in the general population. This shows the extremely heavy concentration of Scheduled Castes in this specific occupation. In the districts of Thanjavur, Chingleput, and South Arcot, they constitute the majority of agricultural labourers. On the other hand, their percentage among agricultural labourers is less in districts such as Salem, Coimbatore, Madurai, etc — districts with less percentage of land under paddy. In a society where caste is an important rallying point, and the difference between the Scheduled Castes and Higher Castes is sharp, the numerically dominant position of the Scheduled Castes among agricultural labourers is noteworthy. The fact that, among the various districts in Tamil Nadu, agricultural labourers are strongly organised in Thanjavur and are getting organised at Chingleput becomes meaningful in this context.

A rank correlation test, between the percentage of Scheduled Castes among the population of a district and the percentage of agricultural labourers among the population, indicated that the two are significantly related ($p = 0.690$; $t = 2.70$; significant at 5 per cent level). This means that the greater the percentage of agricultural labourers in a district, the greater the percentage of the Scheduled Castes. Such an association is in conformity with the hypothesis that agricultural wage-earning being a despised occupation, the percentage of the most despised section of society (Scheduled Castes) in the district is likely to be related to the extent of availability of such despised occupations in the district.

To find out whether the greater percentage of agricultural labourers in certain districts is a reflection of their greater percentage in the district's population — or due to some other force — the percentage of agricultural labourers among the Scheduled Castes of each district was computed. These percentages are given in Table 5.

If the percentage of agricultural labourers in a district is just a reflection of the strength of the Scheduled Castes in that district, then the percentage of the agricultural labourers among the Scheduled Castes in different districts would not vary. But this is not so. On the other hand, the percentage of agricultural labourers among the Scheduled Caste population is the highest in Thanjavur (37 per cent), South Arcot (28 per cent), and Chingleput (23 per cent) — the three districts with the largest proportion of gross cropped area under paddy: The districts where this percentage is low are Ramanathapuram (16 per cent), Salem (18 per cent), Tirunelveli (20 per cent), and Tiruchirappalli (20 per cent) — districts within relatively low proportion of gross cropped area under paddy. Even though statistical tests did not confirm the existence of significant association between the extent of land under paddy in a district and the percentage of agricultural labourers among the Scheduled Castes, the tendency observed in this connection is noteworthy. It indicates that the percentage of agricultural labourers among the Scheduled Castes is disproportionately more than their proportion in the population of those districts where more area is under paddy cultivation.

VIII

Recent Trend

The percentage of workers in the population and the percentage of cultivators and

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the workers. For the state, as a whole, it declined from 42 per cent in 1961 to 31 per cent in 1971. A similar decline is discernible in all the districts also. On the other hand, the percentage of agricultural labourers during this period increased from 18 in 1961 to 29 in 1971. It might be pointed out in this connection that some variation in the percentage of cultivators and labourers in 1961 and 1971 might be due to the variation in the definitions of the categories of agricultural labourers and cultivators in the Censuses of 1961 and 1971. However, the social definition which follows from such a change in definition is important.

An examination of the ratio of the cultivators and agricultural labourers in 1961 and 1971 indicates that, while there was no district in the whole of Tamil Nadu in 1961 where the percentage of agricultural labourers among the workers was more than that of the cultivators, by 1971, this situation has changed. By 1971, the ratio between cultivators and agricultural labourers in the state as a whole became 31 : 29; and in three districts (Thanjavur, Chingleput and Tirunelveli) the percentages of agricultural labourers have become more than that of the cultivators. This means that the dominant position occupied by the cultivators in the occupational structure of the society is declining, and that of the agricultural labourers is rising. The increasing incidence of agrarian unrest in Thanjavur mght be an indication of the tilt in the balance of power that prevailed between these two groups. Such a shift, in its turn, has its political implications as no party aspiring to come to power through popular votes can afford to be indifferent to the predominant occupational group.

IX

Conclusion

The foregoing analysis indicated certain variation in the geographical characteristics as also the characteristics of the agrarian social structure of different districts of Tamil Nadu. The pro-

...gross cropped area under ...s more in districts with a Distr...percentage of land under irriga...

Land under tenancy was more in districts with more land under irrigation and paddy cultivation. The percentage of Scheduled Castes in the population, workers, and agricultural labourers, was more in districts where a larger percentage of the gross cropped area was under paddy. It was also noticed that the percentage of Scheduled Castes among the agricultural labourers was disproportionately more than their percentage in the population in the districts with a larger percentage of cropped area under paddy. It was also noticed that the percentage of workers in the population and the percentage of cultivators among the workers were lower in districts with a larger proportion of land under paddy. On the other hand, the percentage of agricultural labourers among the workers was more in districts with a larger percentage of cropped area under paddy.

The variations in the characteristics of the agrarian social structure were found to be related to the cropping pattern, which, in its turn, was related to certain geographical characteristics of different districts — such as the availability of rain and irrigation water, nature of soil, etc. Even though geographical characteristics thus influence certain characteristics of the social structure, its influence is not exerted in a deterministic way. Instead, the influence of the geographical factor is mediated through culture — especially evaluative norms which give meaning for particular geographical characteristics. In the present situation, it was noted that, while paddy and paddy fields were highly evaluated, the tasks connected with its cultivation were devalued, leading to the emergence of particular characteristics in the agrarian social structure in the different districts of Tamil Nadu.

Notes

1 This section is based on Talcott Parsons' paper 'A Revised Analytical Approach to the Theory of Social Stratification' in "Class, Status and Power", edited by Reinhard Bendix and Seymour Martin Lipset, Glencoe, The Free Press, 1957, pp 92-128.

2 Thorstein Veblen, "The Theory of Lensure Class", London, George Allen and Unwin Ltd, 1957.

3 For a detailed account of the geographical features of Tamil Nadu and cropping pattern, See P K Nambiar, Census of India, 1961, Volume IX, Madras, Part-A(1), General Report, Madras, 1966.

4 Donald Zagoria, 'The Ecology of Peasant Communist in India', *Monthly Public Opinion Surveys*, New Delhi, Volume 8, Number 8, May 1973.

5 For example, Andre Beteille, "Caste, Class and Power" Bombay, Oxford University Press, 1966, especially, Chapter 3.

Female Work Participation

A Comment

J N Sinha

IN her paper on 'Female Work Participation',[1] Leela Gulati puts forward the proposition that while the role of economic and demographic factors in international variations in female participation rates may be blurred by cultural diversities, inter-state comparisons within India may yield meaningful results. On completing her statistical analysis, however, she comes to the conclusion that none of the factors which she selected for explaining inter-state differences in female participation in economic activity turned out to be significant. It is pointed out in this note that she fails to obtain meaningful conclusions because the data used for the study are defective, the hypotheses are somewhat loosely formulated and the statistical techniques utilised for testing some of them are not quite appropriate.

The paper opens with the statement: "That female work participation is low in India is common knowledge. According to the 1971 census, female work participation in India was only 13.8 per cent."[2] This is, however, contrary to the facts available in the existing literature on the subject.[3] The female participation rate in India is reasonably high,[4] the extremely low rate reported by the 1971 census being a statistical aberration caused by the inadequacy of the conceptual basis for differentiating 'workers' and 'non-workers'.

The limitations of the conceptual framework of the 1971 Census data on labour force have been discussed earlier at some length and need not detain us here.[5] The long-term series on female participation rates from the Census as well as the NSS presented in Table 1 demonstrate clearly that there was serious under-enumeration of female workers in 1971. The under-enumeration bias would not distort analysis of the data at the state level based on the ranking device, if it had equally affected all the states. Unfortunately, there is considerable variation in the extent of under-enumeration across the different states. By way of illustration, we note that the female participation rates in Assam and Rajasthan were above the all-India average in all the Censuses 1911-61, while that for Kerala was substantially below it.[6] Relatively high rates were also observed in Bihar and Orissa in most of the preceding censuses. In 1971, the rates in Assam and Orissa plummeted to 6.15 per cent and 7.58 per cent, respectively, being close to half the national average. In Rajasthan and Bihar, it dropped to 10.42 and 10.58 per cent, respectively. On the other hand, the rate in Kerala rose above the national average in 1971.

We now turn to the hypotheses and the substantive results. The first hypothesis relates to the inverse relation between per capita income and female work participation. The more general form of the relationship is U shaped.[7] However, its negative slope alone may be relevant for the present range of per capita income in the different states of India. The hypothesis of linear reverse relationship between per capita income and participation rates is, therefore, in order. Gulati observes that the hypothesis is not confirmed by the value of the rank correlation which is negative, but not significant at 5 per cent level. The result is, however, distorted partly by the data limitations referred to above, and possibly also by the cultural factors which favour female participation in gainful work in some states but not in others. Analysing data for a relatively homogeneous group obtained from the First Agricultural Labour Inquiry, 1951, I obtained a significant negative correlation ($r = -.65$) between the household income and the ratio of earners to all household members in different states.[8] As the proportion of earners varies largely with the extent of female employment, it may be inferred that there is an inverse association between income and female paticipation rates in agricultural labour households.[9] Analysing data for 250 districts in a different context, C H Hanumantha Rao obtains a significant negative correlation (—.44) between the rural participation rates in 1961 and agricultural wage rates (plougher/field labour). Hs also puts together data on indices of agricultural development and female activity rates for groups of districts which readily show that "the participation rate is markedly lower in the higher income pockets".[10] Billings and Arjan Singh also obtained significant inverse association between agricultural output per worker and female participation rates in the 17 districts of Punjab in 1961.[11]

The next hypothesis relates to the influence of cropping pattern. The paddy areas are expected to show relatively higher participation rates since rice cultivation makes heavy demands on female labour in transplantation and weeding operations. It is hard to find justification for an exclusively demand-oriented hypothesis when it is known that the supply effects on female work participation are at least as important as the demand effects. Even if the former are ignored, the hypothesis remains loosely formulated since what is pertinent is the level of *aggregate* demand. The influence of work opportunities in rice transplantation and weeding may be wholly or partly offset by other factors of equal significance such as smaller size of average holding and technological stagnation in rice growing areas. It is needless to reiterate the distortion of results on account of the defective nature of 1971 census data. While only two out of the seven paddy states — Andhra Pradesh and Tamil Nadu — are shown to have relatively high participation in 1971, Assam, Bihar and Orissa would also come up if account is taken of the trends in the preceding six decades. Such adjustments would, however, lend no analytical substance to the results which are based on only one of the two relevant sets of factors. The case of West Bengal clearly illustrates how social prejudice against female work and relatively higher level of development contributed to a consistent trend of low participation rates from 1901 to 1971.

The relation between literacy and female work participation is too clear to defy causal interpretation or elude empirical verification, provided the hypothesis is neatly formulated. But the form in which Gulati puts forward the hypothesis, it is left vague and incomplete. She observes: "literacy can act as a positive or negative agent insofar as women's work participation is concerned ... [but] during the early stages of development the spread of literacy acts as a negative agent". The bulk of women are engaged in agriculture, mostly as unpaid family helpers and agricultural labourers, household industry, retail trade and sanitary and personal services all of which yield low income as well as inferior status in society. The job opportunities open to literate women without a recognised educational standard may be no better. If it is further assumed — and it is not an implausible assumption — that the average economic position of the families to which the literate women belong being superior to that of families of illiterate women, the tendency among the former to withdraw from the labour market becomes inevitable. At the same time a rise in the level of education upto matriculation and above makes them eligible for more respectable jobs, and while one would also expect rising economic position among them, the pressing demand for an ever-rising level of living at their income levels may turn their leisure-income preference or the choice between working and non-working status in favour of the former. This suggests strongly the hypothesis of a U-shaped relationship referred to earlier.

Table 2 gives data on worker-population ratios by levels of education in urban areas, as obtained from 1961 and 1971 census data. Since a part of the population at different levels of education may still be in schools and colleges, full-time students have been adjusted from the population of the educated groups so as to obtain only those segments which could be in the work force.[12] Similar adjustment has also been made in calculating participation

TABLE 1: WORK FORCE AS PERCENTAGE OF POPULATION, 1911-1961

Year	Females: Census	Females: NSS Rounds	Females: Percentage
1911	33.75		
1921	32.63		
1931	29.83		
1951	23.43		
1961	27.96	19th July 1964 — June 1965	24.66
1971	13.18	21st July 1966 — June 1967	27.29
		14th July 1958 — June 1959	24.04
		15th July 1959 — June 1960	21.61
		16th July 1960 — June 1961	25.92
		17th Sept 1961 — July 1962	20.27

Source: J N Sinha; "A Rational View of Census Economic Data", *Indian Journal of Industrial Relations*, October 1972.
Report of the Committee of Estimates on Unemployment, Planning Commission, Government of India, New Delhi, 1970.

TABLE 2: FEMALE PARTICIPATION RATES BY LEVELS OF EDUCATION — URBAN AREAS

Levels of Education	Participation Rates 1961	Participation Rates 1971
(1) Illiterate	37.0	9.3
(2) Literates below Matriculation	5.7	5.7
(3) Matriculation or Higher Secondary	21.3	14.3
(4) Graduate and Post-Graduate other than technical degrees	36.4	33.2
(5) Technical Degrees	71.4	72.1

Notes: (1) Children 0-4 are excluded from the population.
(2) Full-time students are excluded from the literate groups.
Source: Census of India, 1961, Vol I, Parts II (B) i and II (B) iii, Part II (C) i. Government of India: Ministry of Education, "Education in the States 1960-61"; and Government of India: "India, 1974".

TABLE 2A: FEMALE PARTICIPATION RATES, ALL AREAS, 1961

State	Literates	Illiterates
All India	20.7	37.0
Andhra Pradesh	24.4	53.7
Assam	59.4	40.2
Bihar	13.7	34.2
Gujarat	22.3	39.2
Kerala	28.3	29.4
Madhya Pradesh	20.4	56.4
Madras	21.9	42.7
Maharashtra	28.6	52.4
Karnataka	28.2	42.4
Orissa	19.0	35.2
Punjab	11.6	19.2
Rajasthan	13.8	45.7
Uttar Pradesh	9.2	22.8
West Bengal	6.2	13.2

Source: Same as in Table 2.

rates presented in Table 2A. It may be easily noted from Table 2 that the trend in participation rates by levels of education shows perfect conformity to the U-shaped hypothesis. Further a perusal of the participation rates of the illiterate and literate groups shows an almost uniform tendency for the latter to show conspicuously lower rates, the only exception being Assam. It appears from the long-term series on participation rates that culture and social traditions seem to favour high participation in gainful work so that literate women work as unpaid family helpers in agriculture and household industry at almost the same rate as the illiterate women. However, if we ignore Assam, the hypothesis of inverse relationship between literacy and participation rates is established beyond doubt.

Gulati attempts the rank correlation between literacy and participation rates and, since it turns out to be insignificant, she observes that the hypothesis of inverse relationship "is not supported by the study of inter-state differences in India". However, the results presented above show that it is not at all necessary to work out the correlation. In fact, the correlation analysis yields misleading results because, apart from data limitations, the weight of literacy in the total population even in the developed states is 25 per cent or less in 1971 except for Kerala where it exceeds the 50 per cent mark. The value of the rank correlation works out to be insignificant (r_s = —0.24) even in 1961.

Perhaps Gulati found it necessary to work out the correlation because 1971 census data on state-wise workers by levels of education have not yet been released. But unless she considers it a sacrilege to touch 1961 census data — which she does not since 1961 census data on the population of Scheduled Castes and Scheduled Tribes as well as their participation rates at the all-India level are presented in the paper — there is hardly any justification for ignoring the available data from 1961 census. By the same token her hypothesis on the relationship between the percentage of Scheduled Castes and Tribes to total population and participation rates remains unverified. While she obtains her data on Scheduled Castes and Scheduled Tribes from the 1961 census, she does not care to present the participation rates for these subgroups at the state level from the same source.

The hypothesis that, at the existing levels of development in India, female participation rates bear significant inverse relation to per capita income and literacy is confirmed by reasonably sound bits of empirical evidence presented in this note. In addition, it throws up a few methodological issues which deserve consideration in a systematic study of female work participation. First, the attachment of female workers to labour market is rather loose. It becomes, therefore, necessary for a researcher to have a close look at the conceptual framework before examining the data from any source, and further apply cross-checks since a fairly long series is available from both the census and the NSS. Many of Gulati's results are distorted by the defective nature of 1971 census data. Second, participation rates are determined by the interaction of demand and supply forces. It may still be legitimate to postulate purely demand-oriented hypothesis, such as Gulati's consideration of the role of cropping pattern, provided due account is taken of the supply variables in interpreting the results. Third, where simple schemes of classification throw up significant results, as the participation rates worked out separately for illiterate and literate women, the correlation analysis becomes superfluous. Finally, meaningful study of the economic-demographic factors in explaining female work participation requires — in all probability Gulati will take care of this requirement in her proposed study at a greater level of disaggregation — that the groups marked out for analysis are, as far as possible, culturally homogeneous.

Notes

1 Leela Gulati, "Female Work Participation", *Economic and Political Weekly*, January 11, 1975.
2 *Ibid*, p 35.
3 J N Sinha, "Dynamics of Female Participation in Economic Activity", Proceedings of the World Population Conference, Belgrade, 1965.
4 The average rates for 21 industrialised countries, 30 semi-industrialised countries and 21 agricultural countries in early fifties, as reported in the UN Report on "Demographic Aspects of Manpower", 1962, were 24.3 per cent, 21.2 per cent and 25.4 per cent, respectively. The rate in India exceeded 27 per cent in all the censuses from 1901 to 1961 excepting 1951 census when it dipped to 23.4 per cent on account of the omission of unpaid family workers under the income criterion.
5 John D Durand and Ann R Miller, "Labour Force and Economic Development", Population Studies Centre, University of Pennsylvania, 1973 (mimeo).
6 J Krishnamurthy, "Working Force in 1971 Census: Some Exercises in Provisional Results", *Economic and Political Weekly*, January 15, 1972.
7 J N Sinha, "Rational View of Census Economic Data", *Indian Journal of Industrial Relations*, October 1972.
Census of India, 1971, Paper No 1 of 1974.
8 For complete series of data, see J N Sinha, "Indian Working Force 1901-61", 1961 Census Monograph No 11, Office of the Registrar General of India, 1972.
9 The co-efficient of correlation between the proportion of earners to all family members and the percentage of women among casual labourers is as high as + 0.85.
10 J N Sinha, *op cit*, 1965.
11 *Ibid*, 1965.
12 The author is grateful to C H Hanumantha Rao for suggesting this adjustment.
13 C H H Rao, "Technological Change and Distribution of Gains in Indian Agriculture" (in press).
14 Martin H Billings and Arjan Singh, "Green Revolution and Mechanisation", *Economic and Political Weekly*, December 26, 1970.

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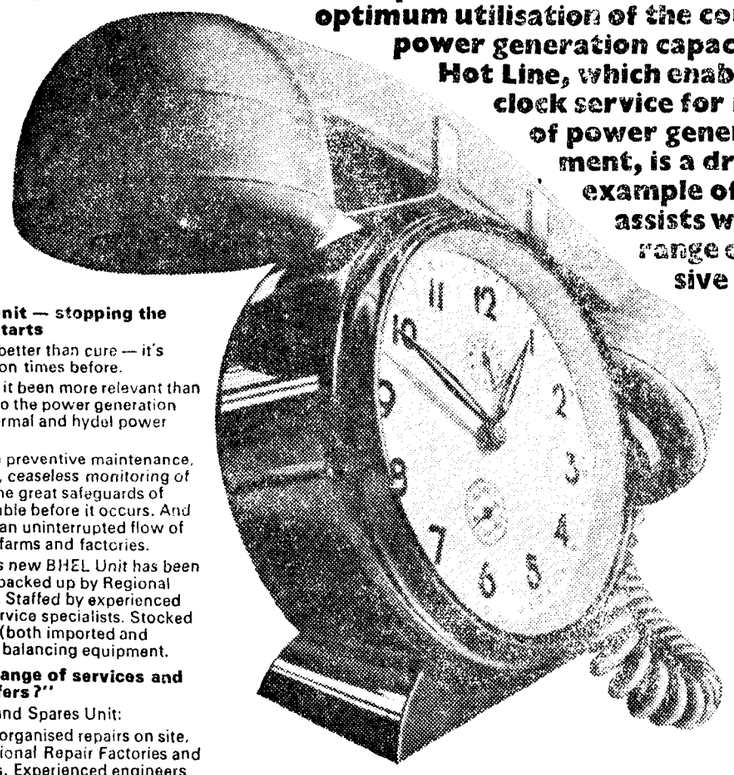
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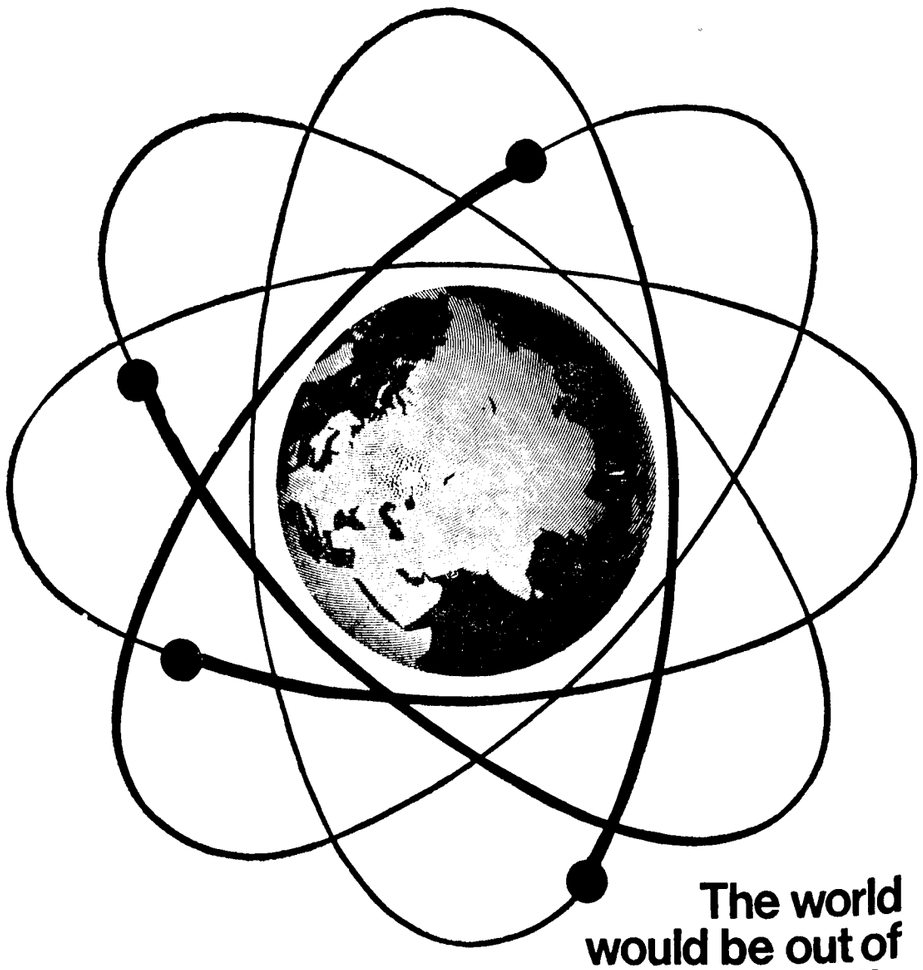
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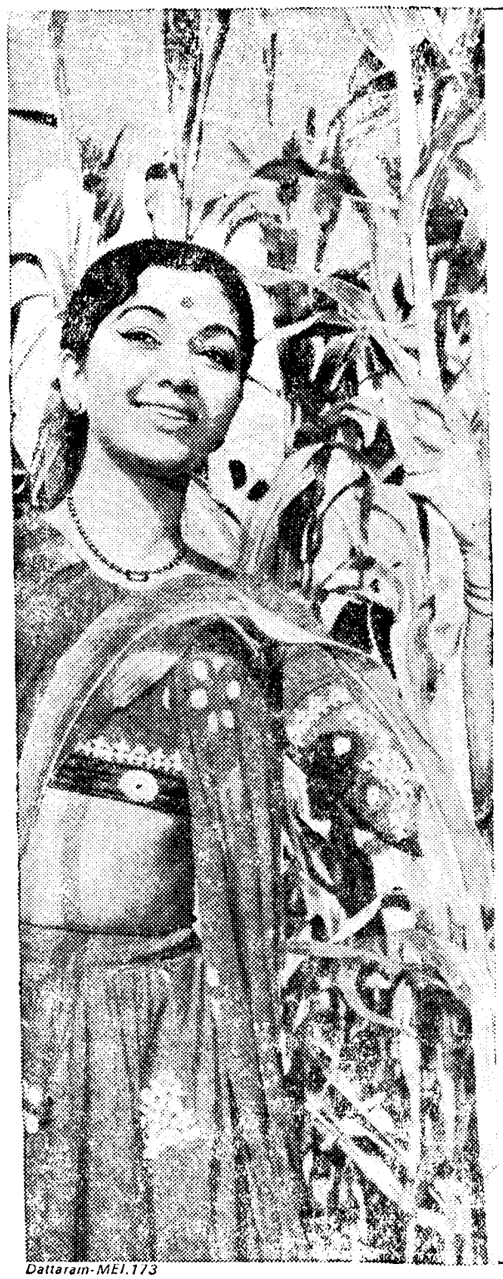
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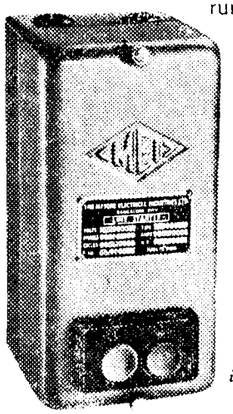
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Murder in Rangapahar

THE overthrow of the Vizol ministry seems to have provided a wonderful opportunity for the army and bureaucratic establishments in Kohima to renew their war on the Naga people with increased vigour and ruthlessness. As long as the UDF was nominally in power, the army terror was at least not quite so blatant. But direct Central rule has been inaugurated, at it were, with a case of most brutal torture and murder that has shocked and angered all the Naga people. The story, as reported in the Kohima paper *Ura Mail* (April 9, 1975):

> "Mr Dozhu Angami of Chedema village, who was appointed by the Nagaland Peace Council a few months ago as their liaison man with the underground to initiate peace talks, was tortured to death by Security Forces.
>
> "He was arrested from his house at 1.00 a m on April 4. The Security Forces started beating and kicking him on the spot. Later, his hands were bound with ropes and he was rolled down the rugged steps in the village. He was then taken to the jungle nearby and beaten with clubs and rifle butts and later on taken to the BSF camp below the village. He was taken to the camp school for the night. On the way, people saw him crawling up the 6 inch-high steps to reach the school building. He was held incommunicado and was later on taken to Rangapahar army camp. There he was tortured again and electric shock treatment was applied. On Monday, his death was announced and a post-mortem was conducted at Dimapur Civil Hospital. The post-mortem report is awaited but there were signs of torture and electric shocks all over the body including his ears and private parts. There was blood in his ears and nostrils and bayonet marks on his buttocks. The pupil in the right eye was either taken out or punctured. There was also a big black mark on the right side of the belly."

The report also speaks of the beating and assault of Zakamvu Gaonburra and the torture of Mati-u, both of Chedema, who were arrested on April 5, as they were working on the grave of Underground Army Captain Lhousilie, the brother of Mati-u, who had been killed the previous day by the Security Forces; and of the torture and murder of underground army Major Thepfulehu of Mezoma village, arrested on March 17 and tortured to death at the army camp at Piphema on March 18.

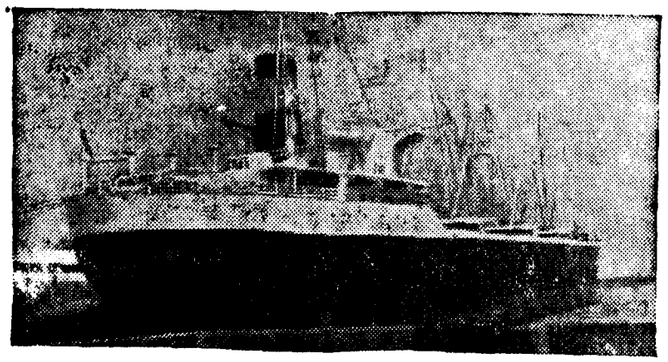
The death of Dozhu Angami was widely mourned, and his funeral at Chedema was attended by many public leaders including Longri Ao, President of the Nagaland Peace Council and M Aram, Director of the Nagaland Peace Centre. It should be small consolation to Dozhu Angami that after he was tortured to death, his death was mourned by the members of the Peace Council, though, according to the report, no worthwhile attempt was made by them to rescue him from the clutches of the army. The initiative to establish contacts with the Naga National Council (NNC) was taken by Vizol, and even Jasokie, on assuming office, pledged to continue the efforts to use the Nagaland Peace Council to establish contact with the NNC.

In this context, it is worth recalling the machinations which brought down the UDF government of Vizol and paved the way for the imposition of President's rule *via* the short-lived and entirely implausible Jasokie government. As Harish Chandola pointed out in this journal ('Nagaland: The Day of the Eagle', April 5, 1975), the UDF Chief Minister Vizol had made a public statement that six of his MLAs had been kidnapped "with the help of the security forces". Though the statement was published in most newspapers in the state, the army to this day has not cared to deny the former chief minister's allegation. The Government of India, it is evident, was not prepared to countenance a UDF government which was pressing it for a dialogue with the NNC, and which came in the way of its own strong-arm dealings with the Naga underground. After the fall of the 10-day NNO government, which followed the ouster of the UDF government, the UDF had claimed that it had regained its majority in the Assembly. But, instead of calling the Assembly into session to allow a trial of strength, President's Rule was imposed post-haste. However, at the same time, the Assembly was not dissolved — no doubt because the Government of India has reason to believe that the results of a fresh election may be even more unpalatable than those of the last one which brought the UDF to power.

Both the NNO and the UDF, and certainly the NNC and indeed the whole Naga people would now really know the Government of India for what it is; a most cruel and cynical power, out to

45 per cent. The production of fertilisers, therefore, needs to be given the highest priority together with the use of organic manure on a much larger, more scientific and more organised basis.

There are very few areas in the region that are not suitable for food production and the Asian region could become self-sufficient in food without difficulty. In fact, the potential is such that it could even emerge as a surplus region, especially in rice. In this context, it may be regarded as a welcome development that the amount lent by the Asian Development Bank to the agricultural sector in 1974 was $ 134 million or 24.5 per cent of the total as compared with $ 172 million or 12.5 per cent during the entire period 1966-1973. The amount lent for industry (including that made available to development banks in the region) also rose to $ 187 million or 34 per cent in 1974 as compared with $ 343 million or 25 per cent during 1968-1973. There is some shift in ADB's lending pattern in favour of directly productive activities as against the earlier emphasis on infrastructural activities. The earlier pattern, which had also characterised the World Bank's operations almost upto the end of the 1960s, was influenced by the ideology of the Western capitalist countries that the international development financing agencies should help in building up infrastructural facilities so that development of directly productive activities can be left to private capital – in most of cases, to the large multinational corporations.



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Basis of Diversification

Hansavivek

CENTURY SPINNING is further diversifying. For the past several years, it has been interested in sponsoring a seamless steel pipe project. It has now submitted a modified proposal, incorporating export-orientation to comply with the latest policy of the Government of India. It has also approached Government with revised proposals in respect of the paper and pulp project, and is awaiting its final decision. Meanwhile, the first unit of the cement plant at Tilda has started commercial production from January 1975. Installed capacity of this unit is expected to be achieved in a few months. The second kiln and the associated cement mills are also expected to be commissioned shortly. The start-up of the plant was evidently delayed because of late deliveries of the main plant and equipment by ACC-Vickers-Babcock. The government of Madhya Pradesh has sanctioned mining leases of limestone areas for the Maihar cement project, but the company is carrying on independent prospecting work to reassess and to reconfirm the availability of adequate quantities of limestone of suitable quality. The Indonesia project has made good progress, too, and trial production is to start soon. 'Cenray Engineering Services' has recently entered the transmission tower field, by securing the first order from MSEB; it is also negotiating with several other state electricity boards for further orders. The company plans to carry out research in a big way to develop production techniques for high wet modulus fibre, specialised textile yarns, and improved varieties of tyre cord.

Despite an all-round steep rise in cost of production and industry-wide strike by textile workers for 39 days in the beginning of the year, Century has turned in excellent results for 1974, with substantial growth of sales and earnings. The company, however, has not provided, in the latest year's accounts, gratuity liability amounting to about Rs 135 lakhs – thus raising 'profits' by this amount. Also, no provision has been made for the present liability of future payments of gratuity accrued upto the end of 1969 – estimated at Rs 84 lakhs. In the hope that the dividend legislation will be amended by the time of the company's annual general meeting, the directors have recommended a dividend of 33 per cent. However, they have clarified that the dividend to be declared would be restricted to the amount permissible under the law on that date.

The directors in their report point out that special circumstances have contributed to the attractive results and that these will not repeat in the current year. They also say that there has been general depression in the textile markets and the 'huge' rebates had to be allowed to settle old contracts. Moreover, accumulated stocks were liquidated at lower prices. The extent of the 'combined obligation', to manufacture controlled and export cloth, has

The Week's Companies

(Rs in Lakhs)

	Century Spg		Bayer		J K Chemicals		Vulcan-Laval	
	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 31-12-73	Last Year 31-12-74	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 31-12-74	Last Year 31-12-73
Paid-up capital	710	710	360	360	80	80	88	85
Reserves	3390	3007	455	368	158	127	132	104
Borrowings	417	418	179	174	92	60	255	234
of which Term borrowings	147	210	127	166	14	5	—	—
Gross fixed assets	5948	5291	817	765	443	430	218	189
Net fixed assets	2756	1845	487	419	154	152	123	108
Investments	49	49	4	4	41	41	—	—
Current liabilities	2434	1366	452	299	230	115	327	267
Current assets	4145	3608	955	780	364	184	679	581
Stocks	2000	1561	537	375	197	109	361	260
Book debts	921	1261	346	319	163	65	305	296
Net sales	8223	5977	2095	1548	798	477	902	617
Other income	208	152	37	34	63	59	4	5
Raw material costs	2364	1729	1132	756	431	214	467	296
Wages	1555	1303	221	173	94	79	126	98
Interest	48	51	22	15	11	8	29	22
Gross profit (+)/loss(—)	2636	1491	518	376	123	44	124	90
Depreciation provision	261	186	59	64	16	23	20	18
Tax provision	1580	850	312	198	70	13	59	35
Net profit (+)/loss(—)	795	455	147	114	37	8	45	37
Development rebate provision	121	19	5	7	1	3	4	4
Transfer to reserves	440	1040	96	24	27	—3	30	16
Dividend								
Amount	P — E234	12 234	E 46	65	P 2 E 7	2 6	E 11	17
Rate (per cent)	P — E 33	7.80 33	E 12	18	P7.80 E 12	7.80 10	E 12	20
Cover (times)	2.88	5.44	3.06	1.37	4.86	0.50	3.73	1.94
Ratios (per cent)								
Gross profit/sales	32.05	25.09	24.72	24.29	15.41	9.22	13.74	14.59
Net profit/capital employed	17.58	11.00	14.79	12.64	11.21	3.00	9.48	8.74
Inventories/sales	24.32	26.12	25.63	24.22	24.68	22.85	40.02	42.14
Wages/sales	18.91	21.80	10.55	11.17	11.78	16.56	13.97	15.89

been fixed at 30 per cent of total production from October 1974. Exports have also declined considerably because of the depression in the international markets. The directors describe the present outlook of the textile section as 'gloomy' in view of the severe restrictions on the use of power and unremunerative prices of both controlled and uncontrolled varieties of cloth. Referring to the recent budget proposals seeking to levy heavy excise duties on cotton yarns and cloth and on rayon and synthetic yarns, the directors express the view that, unless the market is in a position to absorb this burden, it is bound to have serious effect on the company's results for the current year.

BAYER (INDIA) has secured an industrial licence for substantial expansion of its manufacturing plant, at Thana, to increase annual production capacity of parathion technical — from 1,200 to 1,700 tonnes — and of fenitrothion technical — from 100 to 500 tonnes per annum. Orders for the capital equipment required for the expansion have been placed. The expansion, which is expected to be completed by the end of this year, is estimated to cost Rs 2.58 crores. It is proposed to raise a part of the finance by issuing 32,250 equity shares, of Rs 100 each, at a premium of Rs 100 per share to Indian residents only. The Indian shareholders are to be offered 'rights' shares in the proportion of one new equity share for every six existing equity shares held, and the balance of the shares will be offered to the employees of the company in such a manner that no single employee will be allotted more than 20 shares. The company has also obtained an industrial licence for substantial expansion of manufacture of rubber chemicals. The annual capacity of rubber chemicals is to be expanded, from 2,003 tonnes to 6,665 tonnes; in addition, the company will undertake to manufacture annually 2,460 tonnes of intermediates required for the production of rubber chemicals. The capital goods licence in this behalf has also been received, but the company is seeking certain clarifications from the authorities in this connection. As per the condition mentioned in the industrial licence for expansion of the manufacture of chloroquine phosphate, from 4 to 12 tonnes, the company has now installed the equipment needed for the manufacture from a more basic stage. Trial run of the new process of production is to take place, soon, on receipt of the initial shipment of one of the intermediates. Meanwhile, recently, the company has been issued a 'letter of intent' to further expand the capacity of chloroquine phosphate, from 12 to 36 tonnes per annum. With all the three divisions contributing to the working results, the company has shown fair further growth of sales and profits during 1974. In view of the restrictions on distribution of dividends, equity dividend is reduced, from 18 to 12 per cent, a part of which is expected to be exempt from tax.

J K CHEMICALS complains that its cost of production registered an unprecedented rise in all items last year, with cost of raw materials going up by 101 per cent, packing materials by 97 per cent, power and fuel by 81 per cent, and repairs and maintenance by 53 per cent. Production of sodium hydrosulphite — its main item — increased by 19 per cent. It is stated that sales realisation per tonne was higher, but selling prices fell significantly in the second half of the year owing to contraction of demand from the textile industry. The working results, however, show that net sales advanced by 67.2 per cent, and gross profit leapt by 180 per cent. These results were achieved in spite of a strike at the factory, that lasted 21 days. The directors say that inter-union rivalries have led to tensions and have vitiated discipline. With the emergence of militant leadership, there was terrorising of employees and management. As a result of the anticipated fall in production of processed varieties of cotton textiles, demand for hydrosulphite in the current year at best is expected to be at the same level as last year. The company has been making efforts to promote exports, but it has found it increasingly difficult to penetrate the well-entrenched markets of the major producers of the world. Total earnings in foreign exchange amounted to Rs 24 lakhs, while the company consumed imported raw materials and stores and spares worth Rs 119 lakhs, and spent another Rs 43,297 in foreign exchange on travelling, subscriptions, etc. The directors also complain that all the eight applications for industrial licences, made by the company since 1965 for manufacture of various products allied to the present range with a view to diversifying the operations, have been turned down. They contend that diversification is vital to the company, and they will continue to pursue this matter vigorously. The shipping division has not renewed the bareboat charter of s s 'Vardhini' on expiry. The aviation division increased its income by 7 per cent last year. The directors comment that the government policy towards private-sector operators has been indifferent and vacillating. They observe that routes have been granted on whims and fancy and approvals withdrawn suddenly at the instance of Indian Airlines.

VULCAN-LAVAL has turned out good results, with higher sales and profits though profitability has been slightly lower compared to the previous year. Owing to statutory restrictions, dividend is reduced from 20 per cent to 12 per cent, but the directors have recommended issue of bonus shares on an 11-for-17 basis. The company is now engaged in a vigorous follow-up in respect of a 'letter of intent' for manufacture of tobacco machinery. The formalities connected with it have taken more time than was anticipated. Meanwhile, the company has applied for approval of technical collaboration for the manufacture of leather tanning and finishing machinery. As at the end of February last, the value of orders on hand amounted to about Rs 9.46 crores, as compared to Rs 12.45 crores a year ago. The decrease in the volume of orders is attributed to credit restrictions.

HINDUSTAN ORGANIC CHEMICALS has completed the first phase of its project consisting of 12 plants designed to produce about 62,000 tonnes of 21 varieties of vital chemicals. It has now chalked out a programme of expansion and diversification involving a capital outlay of Rs 35 crores. Meanwhile, the company has produced good results for the year ended March 1975, with sales advancing from Rs 8.22 crores to Rs 14.03 crores, and gross profit from Rs 2.59 crores to Rs 5.32 crores.

THIRUMALAI CHEMICALS, which is setting up a project for annual manufacture of 6,000 tonnes of phthalic anhydride, reports rise in the cost due to escalation in prices of indigenous equipment and decline in the value of the rupee in relation to DM. The disparity in the exchange rate has necessitated larger outgo in respect of licence and basic engineering fees and customs duty on imported equipment. The progress of the project, however, has been as per the schedule, and the directors expect the plant to go on stream by the end of this year.

Calcutta Diary

A M

THE roughing up of a Jayaprakash Narayan in Calcutta is, by itself, neither here nor there. Having made his reentry into politics — irrespective of the provocation or the modality of it — Jayaprakash Narayan can not expect genteel treatment at the hands of his opponents. Besides, for the first time in several years, he represents real competition to the Prime Minister. Both have the Hindi heart belt in mind: the one *has* it as her constituency, the other *wants* to have it as his. In this battle for Aryavarta, Indira Gandhi cannot afford to let JP have his untrammelled run. What is at stake is simply power. We are a major nation, a sizeable chunk of humanity. Whoever seizes power in this country not only savours personal glory, but affects materially certain historical-ideological courses too. Who rules in New Delhi is no laughing matter; it is, more generally, a matter of life and death.

Indira Gandhi's public meetings have been disturbed at one or two places, in recent months. If the compliments are now returned, and Jayaprakash Narayan now finds *his* way to a meeting barred by the Prime Minister's more rowdy supporters, one does not see much to holler about. Such minor manifestations of undemocratic behaviour have come to be accepted here as the spice of democracy.

The content of the treatment meted out to JP should not, therefore, bother any one. But the manner of it ought to — and does. The crudity of it, the vulgarity of it, and something more. There are many, in the Prime Minister's present entourage, who two scores of years ago were reasonably close to the Left Book Club in Britain. They must have seen then, on several occasions, Oswald Mosley's fascists in action. They must still remember the frenzy besmirching the faces of the hoodlums who constituted the hard core of that movement. Those were the wretched ones from *lumpen* homes, lit by Mosley's vapid oratory. It was the inevitable recruiting ground in the circumstances then: down and out families, worn out by the depression and the prolonged joblessness of the father or the elder brother, generally sullen with the world, yet proud of the Empire and the abstract ethos it represented! It was fertile virgin ground for the theory to take root, that their woes were on account of the conspiracy hatched by the bolsheviks and the blacks! It was the illiteracy, low cunning, misplaced passion, plain and simple skulduggery, and what have you that made the *denouement* possible.

Hitler declared war on Britain, Mosley's fascist received short-shrift. In Calcutta, the fascist troopers whom the Prime Minister's party has put together are obviously doing better. The way they have been reared is copybook Mosley: scrounging the dregs of the lower-middle class and impoverished feudal families, young people have been picked up who were in any case tottering on the precipice of the criminal underworld. They have been told that all their maladies are the result of those two briefest interludes when Communists shared power in West Bengal — between 1967 and 1970. They have been tutored to hate the *organised* working class, and they have a near-imbecile mother-fixation for the much-adulated leader. Even so, by themselves, these elements would have been no match for the trained and disciplined communist cadres in the state. But they are not unsupported. One must not forget that, for the Prime Minister, it was a battle for survival. West Bengal, the border state, could not be written off to the communists; if, for putting them down, a fascist semi-militia had to be raised, well, go ahead and raise it; if this militia has to be maintained with subsidies from the state exchequer, do so; if it needs the protection of the police while going a-hunting the communists, by all means offer the protection; if the hoodlums indulge in a few murders, look the other way; if they pilfer public funds, disturb the peace in the neighbourhood, become a menace to women, ah, well, has not a price to be paid for the containing of the communist influence?

This is, indeed, the oddity of it. For reasons of their own, the leaders of the Soviet Union hug the Indian National Congress. Then, and nevertheless, for reasons of their own, the Indian National Congress — whose undisputed leader today is the progeny of a famous father who abhorred fascism — go ahead to raise a fascist militia to take care of the local communists and just anybody else who happens to be by the way, such as Jayaprakash Narayan!

INDIAN COUNCIL OF SOCIAL SCIENCE RESEARCH

SUMMER COURSES IN RESEARCH METHODOLOGY IN SOCIAL SCIENCES

The ICSSR announces three courses in Research Methodology to be held this summer, besides the one already announced for Economics at Sardar Patel Institute of Economic & Social Research, Ahmedabad.

Following is the schedule:

Foundation Course (open to all social sciences)

1. A. N. Sinha Institute of Social Studies, Patna. — June 2 — July 12, 1975

Discipline — Specific Courses

2. *Political Science* Rajasthan University, Jaipur. — June 2 — July 14, 1975
3. *Socio-Legal Workshop* Delhi — Mid May — June, 1975

Students intending to register for Ph. D., those working for Ph. D., lecturers, and research workers are eligible to apply. Researchers in Law and/or social sciences may apply for the Socio-Legal Workshop.

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Note: Other courses will be announced later.

Perhaps the oddity too has worn off. No ideology is transnational any more. The brotherhood of the working class, transgressing narrow national frontiers, has ceased to be a living reality for nearly 15 years now. The Soviet leaders will not lose sleep if some thousands of communist partisans are locked up, for years on end, by the Congress party here, or if they are subjected to bestial torture, or if fascist stormtroopers are trained and set on honest socialist ideologues. In fact, a few prize specimens of these fascists have been invited to the Soviet Union and given the standard Intourist treatment: they have, accordingly, blossomed out as instant 'progressives'. Of course, this has not cramped their style, nor deterred them from bashing the heads of some more communists once they returned home — where objective conditions are different.

The model is no longer even Stanley Baldwin's placid Great Britain, where, *laissez passer*, socialists would be allowed to fight it out with the fascists on the streets. The rules of the game are being decided upon by those who have raised the fascists, and would hate to see the latter meet with the slightest inconvenience or discomfiture. The facade of democracy is after all no thicker than a veil: a state chief minister can, therefore, chuckle to himself and indulge in terminological inexactitudes — such as as that Jayaprakash Narayan's meeting has not at all been interfered with, or that the Congress party's young enthusiasts constitute an exclusive saints' club whose members would never dream of being 'incorrect'.

This is all nice unclean fun; but does anyone around think about the tomorrow? Once you usher in a full-fledged fascist regime, with the party of the *ubermaster* or *ubervrow* the only one allowed to operate, rule by hoodlums can be a viable mechanism: spoils of the state can be set aside to keep the *lumpen* elements happy in the short period; they can have a free run of bashing up men, women, and children, who are suspected of having a shade less than one hundred per cent fidelity to the gods and the goddesses of the Congress party. There will be much loot and plunder, of which a reasonable share will go to the hoodlums. There will be little of economic development, but, who cares, whatever little there will be would be dutifully distributed among the supporters of the regime.

The model can be in jeopardy, however, if you want at the same time to maintain the trappings of a parliamentary democracy. For then the system is opened up, and the hoodlums may come to discover that the market really functions — so much so, that there can be a demand for their services for more than one quarter; so much so that they can try to drive a hard enough bargain for themselves. You could argue that, even in a quasi-democratic system, the opposition would not have as much command over resources as the party in power, and that the possibility of the hoodlums indulging in multi-party bargaining is therefore altogether academic.

Hardly so. For an open system — even a partially open one — would mean that the bickerings among party elements will no longer be resolved within the exclusivity of the party. Any group of disgruntled individuals, at any point of time, will be sorely tempted to assert themselves and to impose their will on the party — for instance, by threatening to team up with this or that group of the opposition. That is to say, the relative openness of the system will allow the sulkers an additional degree of freedom. Parochial mumbo-jumbo apart, there is no binding of ideology in fascism — unless a blind hatred of socialist principles is to be described as an ideology. This being so, there is no stigma attached to constituents of the party's strong-arm division deciding to follow the market signals and selling their allegiance to the highest bidder; a disgruntled sub-leader could feel free to hawk around for profitable alliances, as much outside as inside the party.

The other danger arises from the inherent logic of an excessive reliance on criminal groups. If you lean too much on the army in running the country's administration and keeping its people on their best behaviour, sooner or later elements in the army begin to think that they are indispensable, that it is they and not the weak-kneed nincompoop politicians who should be in effective charge of the ship of State. What army generals think today, hoodlum leaders may begin to think tomorrow. If it is *they* who are needed to drive the opposition into a corner and ensure the undisputed sway of the party over all, why should not they themselves seize and exercise power, instead of playing third or fourth fiddle to a bunch of worthless, scheming, politicians?

The leaders in New Delhi must not, therefore, be taken aback if certain species of the hoodlum community now start pitching their demands higher. No longer satisfied with a monthly cash payment, or a stray post of an office-bearer in the Youth Congress, or a junket to the Soviet Union, Tunisia or Australia, some of them may, sooner than later, want to have direct participation in the exercise of power — at the Centre as much as in the states. It would be no easy henceforth to disarm their ambition: power, have they not demonstrated to everybody's satisfaction and seen for themselves, flows from the barrel of pipe-gun, from the sharp metallic edge of a knife, from the explosive potential of a plastic bomb? In case their demands are not readily met, they might well turn upon the leaders and decide to organise a nice, little, wholesale intra-mural liquidation. At that stage — shades of Rohm and 1934 — the authorities will have to fall back on the army and the para-military police to reassert their control, so that everything would be back to square one, circa 1970-71.

Not quite. For meanwhile the populace in this neighbourhood will have gone through the humiliation of the entire experience: Not all the perfumes of Arabia could wash away the pervading stink of that deed.

IDA Loan for Agriculture

THE International Development Association (IDA) has extended a credit of $ 75 million to India to finance a two-year programme of credit to farmers. The credit will support the activities of the Agricultural Refinance Corporation (ARC) which provides medium- and long-term finance to commercial and co-operative banks for on-lending to farmers.

The main focus under the project being assisted by IDA will be on a continuation of the development of minor irrigation to help increase food production, and on staff training to enable the main rural banking institutions to meet more effectively the growing credit needs of agriculture. About $ 37 million of the IDA credit will be set aside for lending to small farmers who will be able to borrow on preferential terms.

The investments in minor irrigation, the IDA has estimated, will help to increase annual agricultural production, mostly foodgrains, by 895,000 tons valued at $ 66 million. Over 100,000 farmers and their families (a total of about 600,000 persons) will benefit from higher incomes. In terms of institutional development ARC will be further strengthened, and an intensive training programme will make the land development banks throughout the country more efficient instruments to expand rural credit.

INTERNATIONAL AFFAIRS

Traps of a Partial Vision

G P D

ARYABHATA, the mathematician of the fifth century BC, has suddenly come to life. A society dedicated to the present, a society in a terrible hurry to make a fast buck has hastily dug into its own history and pulled out an academic's name to celebrate the occasion of its first satellite to go into space. It would be quite hard for Aryabhata, if he were to become alive today, to understand this unexpected upsurge of love for him, in his land, nearly twenty-five hundred years after his time. But then he would not make an attempt to understand that either. Clearly, Aryabhata would know that it is not he that is important. What he would certainly try to understand — but, certainly, would fail to do — is the Union Government's desire to see and attempt to relate the satellite to India's 'living' science tradition. He would also probably be unable to see it as part of the newly emerging Indian creativity.

The satellite cannot in fact be related to any dramatic release of the creative forces of this society — for the simple reason that no such release has taken place. In a hungry society, creative forces are just not released. A few modern science and technology gimmicks can not suffice for that. They can help only to prop up your ego by making you believe that you have now joined this club or that. In terms of relating that science and technology to *this* society you would have drawn a blank. The ruling elite in our country knows it fully well that the hungry social structure, ill-equipped for growth, of which they themselves form the decadent crust cannot hope to rejuvenate either the structure or themselves by managing to send a satellite into space. There are many people in the world, do doubt, who believe in their own propaganda. But there must be very few who, like our ruling elite, have the compelling *need* to believe in their own propaganda.

It is an effort to get away from the poverty-polluted atmosphere of this country. Science and technology have become, like everything else in this country, a glamorous escapist exercise. It makes you believe you are now a member of a club, where you can have a drink with Brezhnev, Mao or Ford! It can not take long to be forced back to the earth. The millions of beggars, the main beneficiaries of our non-capitalist path of development, will sooner or later shock us into an awakening. But, till that time, a psychedelic experience of being a space-power is probably worth the ruling elite's while.

Our ruling elite seems indeed to have got addicted to these science and technology 'trips' by now. The perfectly 'clean' nuclear implosion, last year, happened to be the first 'trip'. Many more seem to be on the way. By 1978, we shall have our own launching pads too; a cosmodrome of sorts. The modern, factory-fresh, vocabulary which includes words such as 'cosmodromes' has its own intoxicating effects. Poor Aryabhata has very little to be proud about. But then he is dead. He has no option but to be so vulgarly glorified as to be *used* to name a satellite in the midst of death and poverty.

What, then, is the significance of this satellite? The science and technology answers are there, everywhere. But our ruling elite does not pretend it is only a technological matter. It pretends this has some international power implication. The third-world Brahmanism excels in a kind of globalism whenever its own professions have to be respectably interpreted. Of all the third-world countries, we seem to do this best. Whenever a nuclear implosion takes place, or a satellite goes up, for us it is not just that science and technology has taken a leap forward. We are persuaded to believe, rather fondly, that our 'power' — and mind you independent power — has taken a big leap forward. In fact, we take our big-power status so seriously that, like all big powers, we have made it a practice to disavow very politely and suavely any intentions on our part to be dominant. In short, big-power illusions are complete to the last detail. We even smile, and talk like the big-power statesmen. Recent events along our borders underscores that we even *behave* like them.

It is important to recognise the utter nonsense that we have made of our profession about the kind of world order we wish to see. We go on shouting *ad nauseum* that we are a non-aligned power, and are basically interested in a world without blocs, a world which is *not* dominated by big powers. The satellite is one more example of how little we mean what we say. The launching of this satellite from a Soviet cosmodrome is *not* exactly a non-aligned act. In any case, if this leaves an impression around that there is some dovetailing of our so-called science and technology programmes with those of the Soviets, that cannot be called altogether unreasonable. Power-politics is ruthless. Madame Gandhi wants to play power-politics. Certainly in this part of the world. She cannot then ignore the ruthless logic of power.

The ruthless logic of power has to be carried farther. If any State is thus heavily dependent upon a super-power, it cannot aspire for an independent, international, role. It is is usually a safe bet to buy technology. It is an incredibly bad bargain to borrow it. Borrowed cosmodromes have cosmic implications. For whatever technological heights we might have reached, in our enthusiasm we may be prone to forget that, in power terms, the credit for all this may not accrue to us. Moscow will be as much talked of, if not more, in this connection, as Sriharikota.

This is not an argument against collaboration with the Soviet Union, however. Rather, it is an argument against the belief that collaboration with one or the other super-power is the way to become *a power*. Madame Gandhi and her colleagues want to and, indeed, do play power-politics. There is nothing illegitimate in entertaining power ambitions as such. But it is certainly disastrous not to comprehend how the game of power has to be played. To rely on the socialists rather than the capitalists, in the present international system, may seem more respectable; but it is no more rewarding in terms of becoming an independent centre of decision-making in our world today.

This dependence on one super-power as against the other — which, to be fair to Madame Gandhi, is more than matched by our dependence on the other super-power, in other fields — did thus clarify our power status and ambitions. But even such 'balanced' dependences have some implications for our international relations. We cannot go on relying so heavily on super-powers, and yet stay innocent of what the outside world must think of us. While there is an element of injured innocence when we talk of other powers, which do not quite see us as we would like them to see us,

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RATAN BATRA

DB/E/211-A

we are for good or ill definitely giving increasing evidence of where we belong — or, at any rate, would like to belong. The old game of bi-alignment is no longer a game. It is a hard reality, which practically everyone, except ourselves, sees quite clearly and vividly.

Thus the more our 'technology' jumps to new heights, the lower our international standing seems to be. We can have as many technological feats as we would like. In the circumstances, such feats seem to yield precious little apart from the Padma Vibhushanas and the Padmashris. But then the business of nuclear implosions and satellites, Indira Gandhi would agree, was not meant for that. Or was it?

CAPITAL VIEW

A Reign of Harassment

Romesh Thapar

THE other day, a senior star in the hierarchy of government was reeling off the 'achievements' of Sheikh Abdullah in Jammu and Kashmir. The list was impressive in the context of what has not been done for so long in that confused region of India. But, listening to details of the 'achievements', I could not help feeling that it was a list of what would be considered normal in any other society: Staff compelled to attend office on time; closure of the Secretariat to all manner of visitors; punishment of students who violate the sanctity of examinations by open copying and threats to invigilators; sacking of officials who encourage disruption and who fail to perform their duties.

Screws on Businessmen

Of course, we have reached the miserable point where normal functioning appears an 'achievement'. It is a sad and devastating commentary on our State. When you take the trouble to study what is going on around you, it is soon realised that the dishonest operators are on top, and the honest are being harassed and demoralised by regiments of corrupt officials. No senior bureaucrat or political head is prepared to call a halt to this dangerous assault on the morale of the still healthy elements of society.

Businessmen are not being put under discipline to maximise production from the facilities available to them. On the contrary, they are 'arrested' for some sub-standard ration of wheat issued by a factory canteen owned by them, one of many, some hundreds of miles away and certainly not under their direct change. Managers, with widely scattered operations over the subcontinent, are 'arrested' for 'accidents to workers in their factories. Hoteliers are 'arrested' because someone, somewhere along the line of supply, has put water in the milk or because a sealed bottle of sauce purchased in the market is defective. No one wants to tackle the guts of the problem. Only scapegoats are sought — and these are invariably those who do not grease the open palms of the inspectors. The indignities to which the 'arrested' are put are beyond belief. Hands are blacked for impressions. The face is measured for statistics, etc, etc. They are treated like ordinary criminals and bad characters.

A whole range of enactments have placed corrupting power in the hands of low-paid staff anxious to build up illegal earnings. A huge army of such flunkeys flourishes on this governmental activity. When the administration was stronger, it was possible to curb to some extent the harassment of these elements. But now they have a field day. The administration is composed of men who bow and scrape before a typist — if he has suction.

The PM Herself!

The general assumption is that no correction will occur, despite the strictures of senior judges on their juniors who have been co-operating in the game of the inspectors, until a major scandal breaks and the Press takes up the exposure with courage. Maybe this is asking for too much. There are, after all, many skeletons in various cupboards. At the rate we are going, the Prime Minister herself could be held for the awful stuff that is selling in the ration shops — or, perhaps, the President. That would certainly help!

But, then, we are saddled with an administration which is evidently foxed by the difference between what is 'adulterated' and what is 'sub-standard', between what action is 'mala-fide' and what is not. The only concern the administration seems to possess is that those who have political influence should not be punished, whatever their crimes. For example, a follow-up on the manufacturers of the glucose that caused so many deaths some months ago would be revealing. And then take a look at the Gujarat-based smugglers who've just been released by the courts on the same counts upheld by other courts. Every judge has become a law unto himself, but the public can be forgiven for jumping to the conclusion that it's all tied up with the forthcoming Gujarat elections. Yes, Bakhia, who has been in hospital ever since his arrest on the plea of being a fragile heart patient, promptly left the hospital! We have specialist doctors in government-run hospitals who too perform as ordered.

Destructive Shoring Up

A very serious aspect of this 'harassment business' is that it is cracking the morale of those concerned with the processes of production. A widespread desire is discernible to throw in the sponge, as it were, and to withdraw from all points which are vulnerable to this harassment. Wherever this has happened, vacant positions have been occupied by rather thick-skinned, distasteful persons who are in the parallel business of corrupting, of buying peace, of purchasing special treatment and favours. To permit the continuance of these procedures and practices is to hand over leadership to the corrupters.

I wonder if this simple truth is understood by the senior leadership of the ruling party. It doesn't appear to be — judging from what goes on. In fact, it looks very much as if this senior leadership wishes to patronise these procedures and practices as weapons in the manoeuvrings for political dominance. Well, the end result is going to be quite different from what it imagines. There are packs of jackals waiting in the wings.

But who will take note? We have put a satellite into space! And that's what matters, after all (sic!) ...

April 21

NEW DELHI

Growth without Priorities

B M

THERE is a revival of confidence in official circles about the economic situation. The check on the galloping price rise is regarded as the most reassuring development. This, it is believed, allows some flexibility to policy-making and the management of the economy.

The hope in official circles is that by the end of 1975-76 prices will be brought completely under control. This is based on the expectation that after the bumper rabi crop this year the coming kharif crop will also be a good one. The prospects of industrial production are also rated as moderately good. The question before policy-makers now is whether the time has come to abandon the deflationary path adopted last year and to initiate policies aimed at resuming the growth process. There is no clear-cut decision yet along these lines and there is considerable hesitation in many quarters on the ground that any attempt to step up investment may again unleash inflationary pressures. Anxious discussions are currently going on on this question at different levels of the government.

There is, however, complete agreement that the policies and slogans with which the present Congress leadership consolidated its power during the political crisis of 1967-69 have played themselves out. The facile promises of reducing inequality, of radically altering the consumption pattern and the structure of production, of eliminating monopoly and concentration of economic power and of achieving a position of zero net aid and self-relianec have lost all attraction for the ruling circles. It is, of course, politically risky to affirm the rejection of the populist platform explicitly. But such rejection is implicit in everything that is said or done by the government. Thus when the government now contemplates the resumption of the growth process, this is done on the basis of what is described as realism and pragmatism.

The role of the Industry Ministry under T A Pai is significant in this context. The Ministry has come up with many ideas for reactivating the industrial sector. In the process Pai has become a controversial figure and has run up against a lot of criticism, especially from the so-called Left and progressive circles in the Congress. But he does not appear to have been intimidated and seems to count on the support of the party leadership for his pragmatic moves. C Subramaniam, the Finance Minister, is known to share Pai's outlook and thinking. But most encouraging for Pai is the enthusiastic support that he has been receiving from the Deputy Chairman of the Planning Commission, P N Haksar. It is on the strength of this solid support that he has ridden the storm in the tea cup on the question of inviting shareholding by the general public in the public sector enterprises. Since then he has gone ahead and advised the financial institutions to go even further. He has directed the state governments to disinvest their shares in joint sector enterprises as soon as they reach the stage of commercial production so that their limited funds can be released and rotated for promotional purposes on a much wider scale.

The Industry Ministry has outlined the prospects of industrial recovery in 1975-76 in considerable detail for the benefit of the Government and the Planning Commission. According to its calculations, it will not be difficult to achieve an increase in industrial production of the order of 4.5 per cent during the year. In its view, the potential for growth is very much better and industrial production could be stepped up by as much as 9 per cent. But this is contingent on proper measures which must be taken right away. Among these measures the most important is better credit planning — a euphemism for liberalisation of credit to industry. The measures so far taken by the Finance Ministry and the Reserve Bank in this direction are not considered adequate. The liberalisation of credit is to be combined with a policy of incentive prices for industry.

More important, in the Industry Ministry's view, is the pressing need to step up public investment even if this requires additional deficit financing. The pressure for this is coming particularly from the Department of Heavy Industry. The Department's voice carries some weight these days because of the good performance of the public sector units under its charge during the last two years. But these units are now facing a shortage of orders because of the flattening of public investment in industrial projects. For several of heavy industry projects the position is critical. The most notable instance is that of the Heavy Engineering Corporation at Ranchi which faces the prospects of almost entirely running out of orders towards the end of next year. In other cases the position may not be so acute, but it is serious enough all round.

A notable feature of the attempt to revive all these pulls and pressures to growth is the stress being laid on better utilisation of established capacities. This is an attractive slogan, but what is missed is that utilisation of all existing capacities to the full is being canvassed irrespective of any economic or social priorities. A powerful shot in the arm for this view has come from the Commerce Ministry in the form of the import-export policy for the current year. The concept of priority industries has been formally abandoned and has been replaced by a so-called 'select list' of industries which will be entitled to liberal imports of raw materials, parts and components. The select industries list, which is an innovation in import policy, has nothing whatever to do with priorities — social or economic. It has been drawn up entirely on the basis of whether or not these industries have available unutilised capacity which can be activated by the injection of liberal imports. This is in conformity with the present dominant trend in economic management.

Philips India

PHILIP India's sales for the year ended December 31, 1974 were Rs 61.56 crores (Rs 50.43 crores). Profit before tax for the year after charging Rs 1.75 crores for depreciation (Rs 1.56 crores amounted to Rs 11.50 crores, against Rs 9.17 crores for the previous year. Profit after tax is Rs 3.80 crores (Rs 3.27 crores). Provision for tax is Rs 7.70 crores (Rs 5.90 crores).

Higher exports and increase in prices mainly account for the higher sales figure in 1974. The Directors have proposed a dividend of 9.5 per cent subject to tax, on the increased share capital of Rs 13.58 crores.

BACKWARD AREAS

Not a Simple Matter of Finance

THAT backward regions require special attention has been recognised since the First Five Year Plan. But not till 1968 were concrete measures initiated to develop the backward regions or to remove regional imbalances. In November 1968, following a meeting of the Committee set up by the National Development Council, the Planning Commission set up two groups to identify the backward regions and to recommend steps to develop industry in these regions. From the Fourth Plan on the principles governing the allocation of Central assistance to the states were changed, setting apart 10 per cent of total assistance for states with per capita incomes below the national average.

Reviewing the schemes started for the backward areas — on evidence given by the Planning Commission and the Ministries of Finance, Industrial Development, Agriculture, Home and Labour — the Estimates Committee (1974-75) in its sixty-ninth report states that the benefits of developmental efforts so far have gone to the already developed areas. The impact of schemes undertaken, moreover, has been nominal because of poor planning, delayed implementation, and lack of co-ordination among the various agencies of the Central and state governments who failed to evolve machinery either for detailed programming or for evaluation of programmes started. Thus an adequate strategy for the development of these areas has yet to be worked out. The Fifth Plan offers only a bare outline of it.

The Pande Working Group, set up by the Planning Commission to recommend objective criteria for the identification of backward regions, ignored agricultural development, animal husbandry and related economic activities in the criteria it evolved. Instead, it used simplistic standards for identification — such as per capita income in the state; per capita income from industry and from mining; number of workers in registered factories; per capita annual consumption of electricity; length of surfaced roads in relation to population and area of the state; and railway mileage in relation to population and area of the state.

By these criteria, Andhra Pradesh, Assam, Jammu and Kashmir, Madhya Pradesh, Nagaland, Orissa, Rajasthan, Uttar Pradesh, and Bihar, were deemed qualified for special treatment and for incentives for industrial development. The Union Territories of Goa, Himachal Pradesh, Tripura and Manipur, were also classified as backward. The Pande Working Group recommended that 20 to 30 districts be selected from among these regions for grant of special incentives in the Fourth Plan. A limit on the number of districts thus chosen was recommended to prevent scattering of the developmental effort; nevertheless, within six months, the scope of the scheme was extended to 233 districts.

To attract entrepreneurs and industries to these backward areas, the Wanchoo Working Group set up by the Planning Commission had recommended grant of higher development rebate; exemption from income-tax, including corporate tax for five years after providing for development rebate; exemption from import duties on plant and machinery components used in these industries; exemption from excise duties for five years; exemption from sales tax on raw materials and finished products for five years from the date of their going into production; and subsidised transport for finished products from the selected areas to any market beyond 400 miles.

In May-June 1970, general surveys to investigate the industrial potential in the backward states and Union territories were initated. Of the various industrial projects recommended by these surveys, 28 involving a capital cost of Rs 175 crores were implemented, and 15 projects involving an estimated cost of Rs 285 crores are still under consideration for assistance by financial institutions.

It is significant that, while statistics of the number of industrial units licensed during 1970-74 in the backward areas have been maintained by government, it has not bothered to keep precise information on either the number of units which have actually gone into production, or the progress made by the established units, or capacity utilisation by them.

Moreover, the Central Subsidy Scheme, started by the Union Government to assist the states was unevenly distributed among the states and without consideration to the employment potential. Thus, out of Rs 64 lakhs and Rs 69 lakhs sanctioned in 1973-74 and 1972-73, respectively, as much as Rs 40 lakhs and Rs 37 lakhs, respectively, were disbursed to just one state — *viz*, Maharashtra.

Public sector undertakings have been set up in Orissa, Madhya Pradesh, and Bihar — such as steel plants, mining projects, and fertiliser projects. But these have failed to give a fillip to industrial development in these areas or to be reflected in any increase in the per capita income of the area. Part of the reason for this may be that the responsibility for developing small-scale feeder and ancillary units, with associated training facilities, was not spelled out at the time of issuing the licences to these undertakings.

Similarly, while provisions have been made for the technical training of the youth in the backward areas through 124 Industrial Training Units located in these areas, many who have been trained at these Institutes are unable to get jobs since the training given in the Institutes is unrelated to the needs of industries developed in these areas.

The same lack of attentive planning is reflected in the allocations made for the Drought-Prone Areas Programme — initiated as a non-Plan programme by the Government in 1970-71. Thus, Rs 91.30 crores were spent in 13 states, but without adequate impact. Drought prone areas comprise 19 per cent of the total area and 12 per cent of the population in the country. The problem is especially acute in Rajasthan, Andhra Pradesh, Gujarat, and Karnataka. Some progress was made, as part of this scheme, in minor irrigation, soil conservation, and afforestation. However, progress on roads and drinking water schemes was negligible. Apart from Andhra Pradesh and Gujarat, no state appears to have undertaken schemes for drinking water supply and roads. A hydrological survey of only 1.2 million sq km, out of a total of 3 million sq km of mappable area, has been completed in the drought-prone areas.

While tribal 'welfare' has received much coverage in the mass media, schemes actually started in the tribal areas have not even been evaluated. Since 1967-68, the Central Government has extended assistance — to the extent of 60 per cent of the development schemes for tribals falling in the states' sector. It has met in full the expenditures on long-term schemes, such as post-matriculation scholarships, tribal girls' hostels, tribal research and training, tribal development blocks, and forest co-operatives. In March 1972, six pilot projects for tribals were started: in Srikakulam district of Andhra Pradesh, in Singhbhum

district of Bihar, in Dantewada, in Konta tehsil of Bastar district in Madhya Pradesh, in Ganjam district and in Koraput district of Orissa. A sum of Rs 4.12 out of 4.60 crores sanctioned on these schemes was spent by March 1974. But as against the intention to cover 50,000 participants in one project area, the highest ever covered were 19,027.

The Committees appointed to study tribal problems — the Committee on Bench Mark Survey, the Committee on Reorganisation of the Co-operative Credit Structure, and the Committee on Debt Redemption and Land Restoration — have all submitted their recommendations to the Ministry of Agriculture for decisions. The Committee on Co-operative Structure recommended: linkage of production and consumption credit with marketing of agricultural and minor forest produce by the tribals; ensuring of management initiative in co-operative societies by tribal representatives; earmarking of a suitable percentage of loans for tribals; and the construction and maintenance of storage, godowns and the like. The Committee on Debt Relief suggested: establishment of debt-relief courts to scale down debts; advancing of debt relief loans; post-debt-relief care; assistance to share-croppers to purchase ownership rights; review of land alienation cases; restoration of tribal land illegally appropriated by non-tribals; and fresh land record operations in the tribal areas.

The Fifth Plan strategy for development of tribals aims at two types of programmes: one, for areas with a tribal concentration of 50 per cent of the population, and the second, for areas of dispersed tribal population. For the first kind of area — of tribal concentration — guidelines were issued to the states in December 1973 for the preparation of tribal sub-plans. Only nine states have submitted their sub-plans to the Centre. If these are not finalised by the end of the current financial year, they will not come through even in the second year of the Fifth Plan.

In the Fifth Plan, some 60 per cent of the outlay — Rs 81 crores out of Rs 141 crores — has been earmarked for backward areas and rural industrial projects: Rs 35 crores for development of backward areas; Rs 45 crores for rural industrial projects; and Rs 1.25 crores for setting up branch institutes in backward areas. The Plan has selected 57 rural industrial projects and the outlay on them has increased from Rs 4.5 crores to Rs 45 crores. Yet, the government has not worked out any strategy for the development following from these projects. Indeed, the outlay on traditional industries, which are on the decline, is being increased. The Khadi and Village Industries are to get Rs 185 crores in the Fifth Plan, as against Rs 101 crores in the Fourth Plan.

A significant development during the Fifth Plan is to be the launching of the National Programme for Minimum Needs — under which, an outlay of Rs 2,885 crores has been earmarked for extending facilities for elementary education, rural health, water supply, nutrition, rural roads, and electrification. A supplementary provision of Rs 500 crores has been made to fortify the efforts of the state governments in the tribal and hilly areas. The pattern to be adopted for Central assistance to the hilly areas is under consideration and comprehensive sub-plans are being prepared for the supplementary assistance.

Five major schemes for agricultural development have been included in the Fifth Plan: The ICAR co-ordinated research programme for dry farming activities and evolution of agronomic practices in 24 centres, each covering 800 hectares, for which a provision of Rs 4.86 crores has been made. Secondly, integrated pilot projects to test the efficacy of research findings for which a provision of Rs 10 crores has been made. Thirdly, a provision of Rs 350 crores — Rs 180 crores in the Central Plan and Rs 167 crores in state plans — for the integrated agricultural scheme to be taken up in 72 drought-prone districts for suitable cropping, animal husbandry, and ancillary activities. Fourthly, two schemes for the development of poultry, piggery, and sheep rearing, which are especially intended for the small and marginal farmers. And fifthly, livestock to be made available to small farmers with a 50 per cent subsidy and to marginal farmers with a 66.66 per cent subsidy.

Local planning is the main plank of the strategy for the development of backward areas in the Fifth Plan. But few states have district planning organisations and district plans have been prepared in just a few districts. Only in Karnataka have integrated district plans been prepared for all districts. In each of Andhra Pradesh, Assam, Gujarat, Maharashtra and Orissa, district plans have been completed for only one district.

In concluding, it is interesting to note that, on the government's own admission, lack of progress made in the backward areas has been the result of inadequate institutional arrangements. Indeed, such programmes would need powerful institutions to support, integrate, co-ordinate and monitor them, and to tie together the functioning of the various financing, promotional and consultancy agencies involved. It is pointed out that the formation of a Backward Areas Development Corporation, to integrate such efforts, could be one solution to the problem.

Economic Prospect for Europe

IN production, prices, and external trade balances the industrialised market economies of Europe should begin to give a better performance in the latter part of 1975 than in recent months, according to the Economic Survey of Europe in 1974. The Survey warns, however, that it is still difficult to predict when the effects of an upswing will actually be felt, and that it may pose problems just as serious as those which were not solved in the 1972-73 boom. As factors which would contribute to an improvement in the situation of the Western European economies, the Survey cites the need to restock inventories, increasingly expansive economic policies which would enable the public sector to contribute to renewed growth, and easy monetary policies which should stimulate the housing sector and household expenditures.

Exports of oil-producing countries should make a significant contribution to overall demand and improve the external balances of the industrialised market economies, although this factor might to some extent be offset by a decline in the volume of exports to other developing countries. Exports to members of the Organisation of Petroleum Exporting Countries (OPEC) should expand in volume at least as fast as in 1974. On the other hand, the volume of imports in trade with the OPEC countries, with other developing countries and within Europe itself is likely to level off, as a result of feeble economic growth. The terms of trade of the market economy countries may also improve considerably, since commodity prices are, in general, becoming stabilised, while prices of manufactured goods, on the average, appear likely to increase in 1975 as much as they did in 1974.

The rate of growth of gross national product in western Europe in 1975 as a whole might be even smaller than in 1974, and amount to not more than one or two per cent.

JAWAHARLAL NEHRU UNIVERSITY

Bread, Butter, and Jam Stir

THE seven-day insurrection of students at New Delhi's Jawaharlal Nehru University ended with a whimper on April 14. It had begun with a gherao of the administrative block, on April 7, to force two outstanding student demands — (i) a statutory body with student participation to look into student grievances over academic evaluation, and (ii) subsidised food at Rs 100 a month of a certain quality. The gherao was not intended to cripple academic activities, but to paralyse the administration. However, the authorities reacted immediately — with an indefinite closure of the university and orders to quit the hostels with threats to shut down the messes and to cut off the water and electricity.

Defiant students seized the library, manned it round the clock, and took possession of the stores to run the messes. After a week-long stalemate, they lifted the blockade, to facilitate negotiations on the demands. They waited a whole week for the university to reopen. Neither of their demands has been met so far. Yet, it was a famous victory which lays bare the purpose and character of the university.

The Jawaharlal Nehru University, founded on the fifth anniversary of Nehru's death, was supposed to be a model university, based on an inter-disciplinary approach. It grew into an elite institution, its students and teachers being the most pampered lot in the country. The outlay on it during the Fourth Plan was Rs 6.5 crores. Over Rs 49 lakhs were spent on the construction of 72 teachers' flats of which the carpet area had no relation to the size of the teacher's family as to his status in the hierarchical system sought to be promoted. By comparison, Rs 61 lakhs were spent on 600 student rooms. Carpets, elegant furniture, and air-conditioners got priority over accommodation for the non-teaching staff. Over Rs 10 lakhs were spent on beautifying the environment and in landscaping. Plans for the future include an artificial lake and swimming pools.

While attracting some of the best talent in the country and from among expatriate scholars abroad, the university also acquired a fair proportion of mediocrity thanks to political patronage behind appointments. The Student Union has complained of several 'back-door appointments'. Studies and Departments have been created to suit applicants. The student-teacher ratio at JNU is about the lowest in the country. While the average is 1:5, in some of the language departments it is 1:3. Some language departments have even to scout for students at the beginning of the year, to justify their posts of teachers.

A good proportion of the teachers feel a little Leftist and left-out, committed as they are to the triple virtues of secularism, socialism, and democracy. Some even see themselves as part of the vanguard of an ideological struggle for a government of national democratic unity — a euphemism for the Congress-CPI alliance. Several JNU teachers expound the Government's policies, interpret them, and defend them. They are supposed to provide the intellectual infrastructure in the struggle to counter the growing 'fascist' threats to the country's chosen path of peaceful transition to socialism. To play this role, they need to be guaranteed the right standard of living, the proper number of trips abroad, and adequate opportunities for social climbing.

Meant to be an all-India university, the JNU is supposed to attract the best students. This is perhaps the only university which pays railway fares to students who are called for pre-admission screening. About half the number get scholarships. Those working for PhD get Rs 400 a month and over. Those working for lesser degrees get scholarships ranging from Rs 100 to Rs 250. But many students spend about Rs 100 a month on cigarettes, and few indeed are really needy.

The JNU has spawned its own, subsidised, brand of dissent and its own variety of *ersatz* radicalism to match the sentimental Leftism of its staff. Free Thinkers collide with the Leftists, who style themselves Trotskyite, Stalinist and supporters of the Students Federation of India (SFI), which is the CPM's own front organisation. The SFI which happens to have controlled the student union the last three terms — except for a brief interlude — has fought for the Vietnam and Cambodian wars with heroic vicariousness. Also, it has efficiently articulated such grievances as the need for a menu which includes mutton five days a week, at Rs 100 a month. That only 3 per cent of Indians can afford the kind of food the JNU sutdents are fighting for is a general matter that need not apparently impede the specific struggle. Most students being from public schools, their spending on the campus works out often to five or six times their mess bills.

It is thus an intra-elite conflict at the JNU, despite a few stray excesses in form as happened recently. The students union thinks that the overall system of internal assessment gives scope for non-non-academic bias in the evaluation process, resulting in academic victimisation; so a statutory body is needed to check this tendency. If a *prima facie* case of academic victimisation is established, the statutory body would channel the answer paper to an authority competent to re-evaluate it. The function of the body would be limited to securing the applications and not to re-evaluating them. The authorities, while conceding the need for some procedure for re-evaluation, have not suggested an alternative. The teachers' union feels that the students cannot have a say in evaluation or in the appointment of teachers.

The developments leading to the confrontation and the attitude of the teachers is revealing. The CPI-controlled All India Students Federation has alleged that the SFI-dominated union leadership has taken the students for a ride. The Academic Council, which has student representation on it, was discussing the demand for a statutory body but the union president sought an adjournment of the meeting to consult his colleagues. According to the AISF, the president mis-informed the students that the talks in the Academic Council had broken down, while in fact the talks had been adjourned at his instance. The Students Council, misled by the President, voted for a confrontation, beginning on April 7. Evidently, the SFI thought it could force a short and swift struggle and did not expect the university to be closed down on the very first day of the agitation. The union leadership, evidently, also did not call a general body meeting on the eve of the April 7 struggle.

The teachers' association demanded an end to the gherao, but raised no objection to the indefinite closure of the university. Its contention is that the students cannot have a say in the evaluation of their academic work or in the appointment of teachers. It wants to draw the guidelines for a code of conduct which, in effect, demarcate their particular domains against encroachment.

The union leadership, desperately looking for some face-saving formula, were driven to cite the mythical "positive response" of the teachers to lift the

blockade of the administrative block. The authorities first wanted the students to accept a code of conduct as the precondition for reopening the university. The student general body, which had not bargained for the situation, had to endorse the SFI leadership's move for an unconditional end to the blockade, but it condemned the arbitrary closure of the university and rejected the terms set by the authorities. Eventually, it was decided to reopen the university without insisting on a code of conduct. The demands as well as the code of conduct is now a matter for 'discussion'. Elite teachers and elite students will find their interests converging sooner or later, and it is essentially a mere matter of disputed jurisdiction in India's show-piece university.

CHINA AND ALLENDE

Support without Illusions

(By a Special Correspondent)

MANY lies have been spread about China's foreign policy and its supposed betrayal of world revolution. The military coup in Chile provided yet another opportunity for denunciation of China's foreign policy. The revisionist parties around the world are continuing this chorus. In an article in *Pravda*, V Teitelboun, member of the Political Commission of the Central Committee of the Communist Party of Chile has written: "The whole world and the Chilean people are observing with surprise and wrath the unprincipled conduct of the Chinese leadership which has nothing in common with the notion of proletarian internationalism."

It has been a well established principle that the foreign policy of a socialist state in relation to governments antagonistic to socialism should be on the basis of peaceful co-existence. Since its founding the People's Republic of China has conducted its foreign policy on the basis of this principle. The Five Principles of Peaceful Co-existence, enunciated at Bandung, do not vary according to whether China approves of a foreign government or not.

In the case of Chile, diplomatic relations were established in 1971 by President Allende. China supported the Chilean government in its struggle against imperialist pressures. China gave the Allende government considerable aid. At the same time, China unlike the CPSU and other revisionist parties, did not spread any illusions about peaceful transition to socialism. The revisionists used Allende's election success to push their bankrupt line of peaceful transition and used the favourable opportunity to begin economic penetration of Chile by investments in copper and fisheries. The Chinese, on the other hand, stressed that a country could fight for national independence only by relying on its own resources, and that international aid could only be a secondary factor.

When the inevitable military coup took place, Premier Chou En-lai in a message to Hortensia Allende declared: "The great President Allende made positive efforts for the struggle of the Chilean people to safeguard national independence and state sovereignty and for the promotion of the friendship between the Chinese and Chilean peoples and the cause of unity of the Third World countries of Asia, Africa and Latin America against imperialism. His lofty aspirations will live on forever in people's hearts. I believe the Chilean people will draw a lesson from this tragic event and continue to march ahead."

China's Ambassador to the UN Chia Kaun-hue denounced the coup and also drew the correct lesson — that the revisionist theory of 'peaceful transition' is harmful to the anti-imperialist struggles of the Third World people. China suspended trade and commercial activities with Chile. The Chinese Ambassador was recalled to express disapproval but diplomatic relations were not broken off. This was in consonance with the Leninist principle of peaceful co-existence, which does not vary according to whether a particular foreign regime is approved or not. If maintenance of diplomatic relations is supposed to mean approval, then a socialist country would be led into the absurd position of having diplomatic relations only with other socialist countries. Maintaining diplomatic relations, China was able to extend help to the Chilean revolutionaries who wished to leave the country.

While China and Albania maintained diplomatic relations, the Soviet Union broke off diplomatic relations with Chile. In effect this was an attempt to hide the harm the Soviet Union had done to the revolutionary movements of the Third World with its pernicious theory of peaceful transition. Unlike China which extended real help to the persecuted Chilean revolutionaries, the Soviet Union behind a smokescreen of revolutionary phrases very comfortably removed itself from the scene of the crime.

A great deal of misinformation has been spread about the treatment of the Chilean Ambassador representing the Allende government in Peking. Felix Greene, in an article in *China Now*, has clarified what actually happened. "The [Chilean] Ambassador was not in China when the coup occurred for he had left for a vacation in Europe. He returned to China three weeks later. During his absence, the military junta in Santiago had dismissed him and nominated a secretary as Charge d'Affaires and this fact was communicated to the Chinese Ministry of Foreign Affairs. Thus the Ambassador representing Popular Unity no longer represented the government in power in Chile. This was the objective reality. The status of the Ambassador of Chile is not a title granted by China, nor does the choice of a foreign ambassador fall to the Chinese government.

"China offered asylum to the former ambassador and ample opportunities for him to carry out his activities, but this he declined. When he returned to Peking three weeks after the coup, he sent out invitations as ambassador for a memorial ceremony inside the Chilean embassy. Shortly before the announced ceremony, and after the invitations had been sent out, he informed the Chinese authorities that if China did not recognise his status as Chilean Ambassador, the ceremony could not take place. The Chinese government offered him, as a friend of China, an alternative place for the ceremony and told him that it would be attended by mass organisations representing the Chinese people. But this also he declined and consequently the ceremony did not take place."

Consistent with support for world revolution, the Chinese government offered the Chilean ex-ambassador asylum and ample opportunities to carry on his activities. The difference with Cambodia should be noted. There Sihanouk, though similarly ousted in a US-sponsored military coup, formed a government-in-exile and continued the struggle. Consequently, the Chinese government refused to recognise the Lon Nol ruling clique and supported Sihanouk's government in its attempt to re-establish its authority. But because in the case of Chile the Popular Unity Government collapsed totally, there was no question of not recognising the fascist government in Chile.

MADHYA PRADESH

JP and Jan Sangh

N K Singh

JAYAPRAKASH NARAYAN's stir in Madhya Pradesh has pretended to be no more than a reformist movement. There have been no radical slogans, such as 'total revolution' or dissolution of the Assembly as in Bihar. The demands are straightforward ones: eradication of unemployment, of administrative corruption, and of the inflationary price rise, and appointment of independent tribunals to look into the charges of corruption against ministers, top officials, etc. If, nevertheless, there has been panic in the Congress camp, it reflects more on the condition of the ruling party in Madhya Pradesh. JP's visit to the state in December last was followed by no more than the formation of 'Jana and Chhatra Yuva Sangharsh Samities' which have been less than active. Yet this was enough to throw the ruling party into extreme agitation. On the eve of JP's visit to the state, the police were put on the alert and an army of plain-clothesmen were pressed into service. The disturbed high command had even sent out directives that factional leaders should sink their differences and put up a 'united front'.

Since students seemed the most vulnerable to JP, the government — in a style that is becoming familiar by now — hurriedly called a meeting of the vice-chancellors of all universities in the state to take stock of the situation on the campuses and suggest guidelines. It was decided also to engage the students in a series of youth festivals planned by the state, reportedly on a suggestion from the Union Home Ministry. The government is spending considerable amounts on these festivals, which have been termed by the media as "a great constructive channel to student power", and which have been given higher priority than relief works in the famine-hit areas of the state. The 'constructive' character of the seven-day all-India youth festival in Bhopal was for all to see at its end; littered empty bottles of whisky and beer at the site of the abandoned venue, and subsequent letters in the Press from the delegates of a Delhi women's college complaining against 'maltreatment, harassment and insult' by the organisers. Soon after the festival, students of the Maulana Azad College of Technology, the organisers of the festival, went on a strike for some of their demands.

Yet for all the *personal* influence that JP wields on a large number of people in the state — especially youths and students but also including detracting Congressmen and an MLA — and the impact the newly-formed Jana Sangharsh Samiti and the 'JP wave' have had on the two recent by-elections — in Govindpura and Jabalpur — it is really the objective conditions in the state which have made it ripe for a stir. The state is riddled with corruption, maladministration and extreme feudal exploitation. It is the inner contradictions of the system that have led it into a major financial crisis. The government has had, this year, the biggest ever deficit budget of Rs 53 crores. About a third of the state is in the grip of the worst famine of the century; reports of starvation deaths and distress sale of children have become a regular feature in local newspapers. The discontent has sometimes found outlet in sporadic incidents of violence — mostly in direct confrontations with the police which is the symbol of State power. To make matters worse, the government has lost its control over the administration — with the Chief Minister out of Bhopal almost every second day and in Delhi much too often. Even the upper-middle classes — engineers, doctors, gazetted officers — are on the warpath.

Indeed, given the nature of JP's objectives, he will have to move with caution for this very reason. The support to the so-called movement from various sections is more an outlet of their particular anger than an organised effort directed by any alternative ideology.

The achievements of the Sangharsh Samiti are negligible. Though formed some half-a-year ago and formally launched in December last, it has till now performed only one task — *viz.* the presentation of a memorandum to the Governor; even a demonstration, proposed to be held before the Assembly on March 17, had to be postponed for lack of mobilisation.

Given inner differences within the Sangharsh Samiti, this is inevitable. The various political parties 'supporting' the movement want to use it for their own ends. The Samiti's first meeting, at Ujjain, to chalk out a plan of action for launching the movement ended in confusion; JP, who presided over the meeting, watched helplessly as representatives of the various political parties and student leaders clashed, charging one another with attempts to dominate the Samiti; some of them even did not conceal that they do not see eye to eye with JP on certain issues.

The student supporters, usually the pillars of JP's agitations, are also split. Not only are there differences among student and youth wings of the different political parties, there exist also between them and the 'unattached' youth who have formed a parallel organisation — the Chhatra Yuva Sangharsh Vahini — which is not recognised by the Jana Sangharsh Samiti though they claim the blessings of JP!

JP, always an astute politician, is aware of this frustrating situation. At a public meeting in MP he lashed out at the Vidyarthi Parishad and Samajwadi Yuvjan Sabha for their efforts to exploit the movement to build up their own organisations. His attack was familiar: "I cannot be dictated to by anybody, and various political parties which support my movement will have to follow my conditions." Alas, a senior Jan Sangh leader retorted that his party would not tolerate 'dictatorship' by anyone — not even "Mr Narayan".

Jan Sangh domination is thus being blamed for the movement's non-progress. Thus the Jana Sangharsh Samiti has not even demanded dissolution of the state Assembly — unlike in Bihar. With the Socialist Party and the BLD not much of a force in the state, there is no other supportive party to give it the necessary momentum.

The Jan Sangh domination has given the movement a Right-of-Centre twist. Some of the demands, such as scrapping of some of the farm taxes and the levy, are pro-kulak in character. The farm taxes — the agricultural immovable-property tax and the rural development tax — do not affect the small farmers. Of course, an only-too-willing Sethi government has obliged by withdrawing these two taxes. Similarly, the demand for *uniform* withdrawal

of levy, though justified in the famine-hit Chhattisgarh region, would mean a major concession to the rich farmers in the other parts of the state; in any case, a majority of the small and middle farmers have already paid their levy, and it is the rich farmers, many of them Congress MLAs and MPs, who are the main defaulters. In Madhya Pradesh, clearly, it is thus JP who seems to have strengthened the Jan Sangh, not the other way round.

CAMBODIA

Spring of Victory

Harish Chandola

THE battle, lasting more than 100 days, for the liberation of Phnom Penh – the final stage of the liberation of Cambodia – is an epic of the Cambodian People's National Liberation Armed Forces (CPNLAF). This historic event was represented by the crushing of the resistance of the puppets in Phnom Penh, their unconditional surrender, and the establishment of the revolutionary administration in Cambodia's capital on April 17, following three and a half months of continuous offensive by the CPNLAF.

To win this splendid victory, the Cambodian people waged a valiant war of resistance for five full years. Following the reactionary coup staged on March 18, 1970 by the US and its henchmen, the Cambodian people stood up in arms against the US imperialists and their agents. President Nixon attempted to turn Cambodia into a new-type colony and a strategic base of the US, but he ran into the iron determination of the Khmer people to defend their independence and freedom and their right to live.

The five-point proclamation made on March 23, 1970 by Samdech Head of State Norodom Sihanouk and the political programme of the National United Front of Kampuchea approved by the National Congress of Cambodia in July 1973 set the objectives of the war against the US with the warm support of all strata of the population.

Under the leadership of Khieu Samphan, Vice-Premier and Commander-in-Chief, the Cambodian liberation forces fought without let-up, gaining strength all along the way. The Cambodian army and people defeated the aggression of more than 100,000 US-Thieu puppet troops in May and June 1970, the violent US air war in which even B-52 strategic bombers were used and which lasted from 1970 to 1973, and the US neo-colonialist war conducted by nearly 200,000 Lon Nol troops and US advisers, and with US weapons. The brilliant exploit of the Cambodian liberation army in smashing two big operations, "Chenla 1" and "Chenla 2", late in 1970 and late in 1971 basically foiled the plan for a "Khmerised war" – an offspring of the "Nixon Doctrine" in Cambodia.

The liberation armed forces were then further developed while the puppet army and administration declined steadily, and began to dig in at Phnom Penh and a number of other cities. The liberated zone expanded more and more, and the prestige of the Royal Government of National Union (RGNUC) with Samdech Penn Nouth as Prime Minister and Khieu Samphan as Vice-Premier rose sharply in the international arena with more than 70 countries recognising the RGNUC as the sole authentic and legitimate representative of the Cambodian people.

Early this year, the Cambodian armed forces and people launched a general offensive to complete the liberation of the country. Within a few weeks, they had cut all roads and waterways leading into Phnom Penh. The capital city, the nearby Pochentong airbase, and other dens of the enemy were put under seige. In February the second National Congress of Cambodia was held in the liberated zone. It worked out foreign and domestic policies for Cambodia, and called on the entire army and people to step up their just war and take it to final victory. In three months, the liberation army put out of action nearly 20,000 enemy troops; on the Phnom Penh front alone they wiped out nearly 6,500 enemy troops, shot down or destroyed on the ground 22 aircraft, destroyed 84 armoured cars, seven naval craft, and nine ammunition and gasoline storages, and seized large quantities of weapons.

To save the puppet administration the Ford administration hastily ordered Nguyen Van Thieu in Saigon to send thousands of mercenaries of Khmer extraction to Phnom Penh and ran an airlift from Saigon to rush weapons and munitions there to increase its military involvement. However, it could not improve the situation of the Lon Nol group in Cambodia. The Cambodian liberation forces shelled Pochentong airfield with accuracy, destroying many planes and repeatedly disrupting the airlift. Stunned, Lon Nol, Cheng Heng and Fernandez took flight. The situation in Phnom Penh was desperate. On April 12, President Ford had to pull American diplomats, military and civilian personnel out of the city, thus ending five years of US aggression and intervention in Cambodia.

The liberation of Phnom Penh represents the utter flop of the "Nixon Doctrine" in Cambodia and a heavy setback to the US policy of aggression and intervention in Indochina and other parts of the world. The great victory of the Cambodian resistance is the victory of a closely-knit nation firmly struggling for complete independence and freedom, of a national liberation army born and grown up in revolution and fighting with valour and skill in defence of the revolution and the people, and of a correct, firm leadership as provided by the National United Front and the Royal Government of National Union.

This spring resounds with the victories of the Cambodian people and the other peoples of Indochina. The heroic land of Angkor, rid of US interventionists, has finally been restored to the Cambodian people. In Laos also the people have driven the US imperialists out of their land and are taking their country on the road of independence, peace and national concord. In South Vietnam, the people are fighting with might and main to topple the puppet regime. These victories are the results of the militant solidarity of the three Indochinese countries, and successes of the national liberation movements in the world. These victories constitute an important contribution to mankind's struggle for peace, national independence, democracy and social progress. They have tipped the balance of forces definitely in favour of the revolutionary forces against imperialism, colonialism and other reactionary forces in the world.

Totems and Taboos of Left Mythology

Pranab Bardhan
Ashok Rudra

IT would be difficult to deny that in this country's political thinking the left-right distinction has increasingly become less a scientifically valid classificatory tool of politico-historical analysis and more a matter of attaching labels, of branding persons or parties on considerations which are of the nature of dogmas. The idea of left and right, of progress and reaction, has a history of more than two hundred years and if one were to apply criteria derived from the tradition of thought of "Scientific Socialism" to present-day India, one would perhaps classify as leftist economic policies or political programmes (or persons or parties working for them) that aim at a reorganisation of the society so as to lessen the political power of and finally eliminate classes that are at present dominating the society and deriving maximum advantage from its present organisation and to increase the political power of the exploited toiling masses, of which the organised industrial and white-collar working classes no doubt constitute an important segment but also consist predominantly of poor peasants and landless labourers. If one were thinking, each time one made the left-right distinction, of these two opposed class interest groups, keeping in full view the internal contradictions that unavoidably exist within the two groups, one would probably be making the distinction meaningfully. But much too often that is not how it is done.

Roughly Similar Manifestoes

Consider the distinction between left parties and right parties the way it is made. With minor variations most of the major political parties operating at the national level and participating in parliamentary politics have roughly similar manifestoes of announced goals and programmes, notwithstanding their eloquent attempts at product differentiation. Their radical rhetoric is often exactly identical. If one takes electoral support bases, it is difficult to neatly arrange the parties in terms of ascending or descending order of 'leftism'. Any analysis of data from nation-wide surveys electoral support bases shows that the rich farmers vote largely for the Congress; the same party draws overwhelming support from the landless. The Jan Sangh and the Communist parties have often a similar support base: the professionals as an occupational group are large voters of both. The Arya Samaj devoted clerk in the Central Secretariat, New Delhi, may vote for Jan Sangh; his Kali-worshipping counterpart in Writers' Building, Calcutta, is a staunch supporter of Communists. The Ezhava agricultural labourer in Kerala often votes for Communists; his *Chamar* brethren in UP vote for Congress in decisive numbers.

Actual Doing Is Important

One may, of course, say that a party should not be judged by what it writes in its manifesto or what rhetoric it uses in public speeches or even by its electoral support base, but by what it actually does. If that is the criterion used in making the left-right distinction, it is to be noted that, most of them, communist or non-communist, act as pressure groups for the interests of largely the top two deciles of the population. These two deciles contain roughly 20 million families which include those of the better-off farmers and traders, white-collar workers and such sections of industrial labourers who have come to form a kind of 'labour aristocracy'. Most of the vociferous demands of these parties, whether for more 'remunerative' prices for farmers, or for higher wages and salaries in the organised sector, for tax exemptions on the lower middle class or against betterment levies on farmers, for various subsidies and underpriced inputs, for expansion of higher education or of jobs in the bureaucracy, all cater to the interests of the richest quintile of the population. Many of these demands are no doubt made in the name of the small man and there are substantial regional variations in the pattern of such demands or in the style of their articulation, but there cannot be much doubt about who the ultimate beneficiaries are. Of course, there are various kinds of conflicts of interests even among the pressure groups of the top quintile. The economic and political interests of 20 million families sharing the spoils of the system cannot be homogeneous; the rich farmer lobby has to compete vehemently with the lobby of urban professionals and so on and there are frequently heated bargaining negotiations within the coalition of the power elite. But the intensity with which party lives are demarcated and party battles are fought and the gusto with which invectives are exchanged and scandals and counter-scandals exposed, give the misleading impression as if across parties there are fundamental cleavages involved. Much of this is in fact a show and a ritual to impress the poor as if it is their cause the parties are fighting for.

Poorest People Are Unorganised

It is of course true that there are many instances of the left parties trying to lead struggles for the poor and exploited workers, particularly around the industrial belts. But the fact remains that the overwhelming majority of the poorest people in India are unorganised. Except in a few localised pockets in the country the vast masses of poor peasants and landless labourers have been outside the pale of leftist movements; the leftist agrarian organisations have, if anything, effectively served only the interests of the rich and middle peasants, their declared intentions notwithstanding.

The fake character of the left-right distinction is particularly glaring when it comes to economic policy matters. Thus, if an economist stands more for controls, licensing, take-overs and nationalisation, he is a 'progressive'; in case he is against these, he is obviously a 'reactionary'. Price controls in steel, cement, automobiles and the like directly benefit the consumption of the rich, yet by supporting them one is supposed to uphold a 'progressive' cause. Richer industrialists have better connections and better access to the bureaucratic allocation of industrial and import licences, and yet the licensing system has to be unquestionably accepted. Quantitative trade restrictions provide an automatically protected market for inefficient domestic producers of luxury goods like air-conditioners, refrigerators and automobiles, and yet anybody criticising them must be having a 'free-trade', *laissez faire* bias. Leftists often refuse to extend their class analysis of the state to the expanding public sector and the sprawling bureaucracy. Administered allocation of premia-carrying licences and permits strengthen the

economic and political power not only of those who use those licences and permits but also of the relatively better-off white-collar workers who dispense those licences and permits: in fact this serves as a leverage they use in sharing the spoils with the industrialists. Nationalisation (even when it is not used simply to bale out owners of 'sick' mills) is used largely to expand the job prospects and security of white-collar workers, to improve wages, housing and other amenities of the unionised working class and to provide underpriced intermediate and capital goods for the private sector Yet any expansion of the public sector is to be called a victory of the proletariat and any criticism of the way the public sector is run or the way the potential surplus is frittered away is to be construed as support for the cause of monopoly capitalists.

To support controls, without asking who controls, and to support take-overs, without asking who takes over and for whose benefit, appear to us to be basically un-Marxian in approach. There are, of course, many instances where controls and public ownership are fully justified on grounds of distributive justice and of second-best, if not first-best, static or dynamic efficiency; but to uncritically endorse any policy of controls and nationalisation in the name of socialism is part of the deadweight of leftist dogma. Neo-classical economists who argue in favour of the price mechanism are often criticised for ignoring questions of income distribution. This is not quite correct, for what they argue is that to tamper with the price mechanism is not the best way of improving the distribution of income; a less costly (in terms of sacrifice of efficiency) way is to directly redistribute income and assets through an appropriate fiscal policy. The fault in this neo-classical first-best solution lies in that it presumes a neutral government; the analysis ignores the class character of the state which is a bargaining counter of the ruling coalition. In the n-th best world in which we live the efficiency of the price solution may not be delinked from the questions of collective bargaining of certain interest groups. But from the point of view of failure to carry out the discussion in the context of a class analysis of the state, the leftist economist who welcomes any expansion of control by the state irrespective of its class character is no less naive than the neo-classical economist. As a matter of fact the ruling oligarchy in India is engaged in the building up of a populist variety of state capitalism and in this task it has found it very easy to mobilise the support of many left intellectuals who are now prepared even to condone many of its anti-people authoritarian policies in the name of fighting "right reaction".

Difficult to Achieve

Another badge for the left establishment club is unquestioning support of the policy of concentration of investment in 'heavy industries' in the context of discussions on Indian planning. There are indeed strong arguments in favour of emphasis on heavy industries, of building a viable capital goods base for an economy which has inherited a lopsided industrial production structure. But the leftists frequently give *insufficient attention* to the problems generated by a mechanical application of this planning model in an economy where its institutional requirements cannot possibly be satisfied. In strict rigour the policy calls for the institutional framework of comprehensive planning where investment allocation in all sectors can be planned and controlled. In the absence of such allocative powers in the hands of the planning authorities, the ultimate purpose of a chemical-matallurgical heavy industry base is rendered largely ineffective by a diversion of the output of the basic intermediate and capital goods to industries producing luxury consumer goods. Also, successful application of this planning model requires a complete control on the part of the government over the supply of essential consumer goods. Yet one of the most disastrous failures of our government over the years has been precisely in this area: procurement and public distribution of food and other essential consumer goods even on a scale that is substantially below the minimum requirements of the poor have been difficult to achieve.

A pet bogey of the left establishment is devaluation of the Indian rupee. Artificial underpricing of foreign exchange encourages foreign exchange-intensive and capital-intensive methods of production in both agriculture and industry and often works against the employment and income distribution objectives of planning. Yet to suggest devaluation or more flexibility in foreign exchange management, irrespective of the context in which such suggestions are made, amounts in the eyes of the left establishment to being an accomplice in a sinister imperialist plot.

Another taboo is any criticism of the way the trade union movement in India is being run. More than 90 per cent of the 200 million workers in India are in the unorganised sector. Even in the organised sector the more affluent workers (e g, in banks, LIC, Indian Airlines, etc) are usually more strongly unionised. The left parties which naturally lend all their support to the demands for higher wage, salary and other benefits for these unionised workers usually overlook three major consequences of such sectarian and exclusively economism-oriented struggles. Thus, (a) the government often concedes these union demands only by resorting to deficit financing, the inflationary consequences of which hit the poor unorganised workers hardest. (b) Quite frequently the government accepts the wage demands of one group of workers (usually the more affluent, the more vocal and the smaller-sized group) while rejecting those of others and in this way plays a divisive game in the labour movement. The left parties do not have a clear integrated wage structure in view, while demanding higher wages for different kinds of workers and there is hardly any instance of a left party instructing a trade union *not* to accept the government's concessions to its wage demands until and unless the demands of some weaker and poorer unions and labour groups are met. To take a recent instance, college and university teachers, while agitating for implementation of the salary increases announced by the UGC — increases behind which there has not been any struggle — did not think of taking a stand that the salary revision would not be accepted by them unless and until the more urgent demands of primary and secondary school teachers were met — demands for which these poorer workers in the teaching profession have agitated in vain over years. (c) The 'victory' in wage bargains for unions, while enhancing the benefits of the already employed, often implies bleaker job prospects for the unemployed. For, in the short-run higher wages and salaries for the already employed and larger employment opportunities for the unemployed indeed constitute alternatives. It may also be added that sometimes the very form of agitational tactics that the trade unions follow have adverse side consequences for the poorer non-unionised workers. For example, in sympathy for higher wage demands of a group of striking workers the leftist trade unions often declare a 'bandh' in towns and cities. But a 'bandh' while it often means a paid holiday for salaried workers, implies a loss of a day's income for large sections of the urban poor, the self-employed in the petty trade and services sector and the casual day-to-day wage labourers who are more numerous than unionised workers and certainly in a worse position to afford the loss of income.

Decry Struggles

It is of course farthest from our intention to decry any struggles of unionised workers for wage increase. We are well aware that unionisation of workers is a necessary pre-requisite for any political programme for social change, that economic struggles have to be a part and parcel of any working class struggle aimed at changing the social structure. We are only pointing out that in India trade unionism has very largely reduced itself to economism pure and simple; that the working class struggle could have been so conducted as to defend the interests of the toiling masses as a whole (including the unemployed) and not to allow the divisive tactics of the ruling classes to succeed. What we are decrying is that any attempt to express reservations of this kind is branded as anti-working class.

We have given above several examples of the tired cliches and empty shibbolets by which one distinguishes the 'progressive' tribe from that of 'reactionaries'. But all these are at least issue-oriented. There are, of course, many instances where entry to the exclusive left club is allowed or denied on the basis of ascriptive or associational characteristics of a person rather than his ideas or action. If one is related by blood, marriage or friendship ties to any of the members of the left establishment, one's entry is easier. If one had a Students' Federation background in one's college days, then however much one might have indulged in nothing but crass careerism ever since, chances of one's being able to retain the membership of the charmed circle are very high. If one had been a student in Oxbridge and had the right 'contacts' there (e g, known RPD or Maurice Dobb), this is a plus factor on one's entry passport to the club, whereas if one had gone to an American university one is undoubtedly a reactionary according to the leftist parlour game. If you are a mathematical economist, your entry to the Indian left club will be much smoother if you are quick to show your allegiance to the Cambridge (England) theory of capital and reserve your choicest invectives for the Cambridge (Mass) variety, no matter how insignificant *both* theories are for your analysis of the problems of the Indian economy.

Left intellectuals in this country have, by practising or succumbing to such criteria of leftism as have been described above, acquired some of the characteristics of caste associations or tribal groups with suitable totems and taboos. Quite characteristically, in intellectual discourse their Marxism is in the good Brahminical tradition, the emphasis being more on scripture quotation and annotation and on ideological purity. In the hands of these high priests of received wisdom Indian Marxist analysis has sometimes degenerated into static theological disputations in lamentable contrast to the essentially scientific and dynamic spirit of Marxism. For fear of being disowned by fellow leftists as heretics or renegades, the Indian left intellectual has often shied away from looking on empirical reality in all its complexity and diversity and discussed such issues as mode of production in agriculture, class character of the state, etc, in a highly abstract fashion, tending to fit fragmentary evidence on his pre-conceived Procustean bed.

Stagnant Pools of Dogma

Stagnant pools of dogma breed their own insects. There are many whose wholetime occupation seems to be to detect reactionaries in their midst, to indulge in character assassination of people (usually by calling them agents of some imperialist powers), to take a holier-than-thou attitude and to parade their own purer faith as a certificate for intellectual worth. This game is particularly noxious in the social sciences. A bad physicist cannot redeem himself by calling other physicists reactionaries. But a bad economist can easily cover his weaknesses with the smoke-screen of radicalism; he can shame his more competent colleagues for being not radical enough and thus shoot his way into professional success. Our universities and other research institutions are now full of such pseudo-radicals. By having such people in their midst, indulging in internecine disputes on hair-splitting points of theology and using fake or dogmatic criteria to shut out other sympathetic intellectuals from their exclusive clubs, the left intellectuals undermine whatever constructive role they could have played and very easily fall into the trap of the real enemies of the people.

There are others who are not of this type, who are self-critical, but then they often tend to go to the opposite pole of spending all their energies on cathartic outbursts of self-flagellation. The leftist intellectual usually carries the load of a sizeable guilt complex arising out of the awareness of his own class origins; his daily existence on the small island of relative affluence in the vast dark ocean of Indian poverty constantly nags him towards loathing his own class and his own self. He alternates between pouring venom on his fellow-leftists and lashing himself with despair about his own class-ridden incapacity to contribute to the left movement. 'What more do you expect in a country where the leardership is so middle class in original', he muses to himself. He waits for the day of messianic leadership arising from the midst of the toiling masses themselves, delivering us all, half suspecting at the same time that he may not live to see that day. He knows but overlooks in self-disgust the fact that in the history of successful socialist revolutions all over the world, leadership has often been largely middle class in origin, that the role of the intellectual in leftist movements is not so insignificant, that frequently the fault with him lies not so much in his class origin as in a certain incapacity to think things through, a certain inclination to let dogma prevail over reason and to arrange a willing suspension of disbelief in cliches for the sake of dedication to a cause, ultimately harming the cause itself.

Contradiction in Values

Among both these kinds of left intellectuals, the character assassinating type and the self-denigrating type, there is one common phenomenon too frequently encountered and that is the contradiction in the values they practise in their private lives and the leftism they advocate in social policies. In their relation to their family members, in their professional relations with their superiors and their subordinates, they are often just as hierarchical and as status conscious, or as sex chauvinist as their hated reactionary counterparts on the other side. This fact of their being claimed in their consciousness to such anachronistic value systems is part of the essential duality of Indian leftism, its illusion and reality, its mythology and science.

Oil Price and Developing Countries

I S Gulati

This article takes stock of the payments position of the oil importing developing countries since the world was first overtaken by what was, by any standard, a sensationally sharp increase in the export price of oil.

The author then goes on to ask if it is possible to draw any conclusion, again particularly for the oil importing developing countries on the basis of the experience of 1974 and comes up with what may well be considered a simple-minded conclusion, namely, that ways and means ought to be found to canalise more of OPEC surpluses away from the rich countries and to the poor countries of the world.

THE price of oil was raised by the oil exporting countries, OPEC for short, from about $ 3 to $ 10 a barrel, effective from January 1, 1974. The increase applied to all oil importing countries, developing as well as developed.

My main objective in this paper is to take stock of the payments position of the oil importing developing countries since the world was first overtaken by, what was by any standard, a sensationally sharp increase in the export price of oil. Having taken stock, I go on to ask if it is possible to draw any conclusion, again particularly for the oil importing countries, on the basis of the experience of 1974 and I come up with what may well be considered a simple-minded conclusion, namely that ways and means ought to be found to canalise more of OPEC surpluses away from the rich countries and to the poor countries of the world.

I

Within the first three to four months of the increase in the price of oil, it became quite clear that though the price rise would more than treble the earnings of the oil exporting countries, they, as a group, were unlikely to absorb more than a fraction (perhaps 25 per cent at the outside) of their increased earnings in the form of additional imports. Therefore, the major part of additional earnings were bound to be lent back by them to the oil importing countries.

Which countries (or group of countries) were likely to attract these surplus oil funds? It too became quite clear pretty early in the day that after allowing for all the munificence which the oil exporting countries may feel like distributing among their neighbouring, and even more distant, developing countries, the surplus oil funds would go almost entirely to the oil importing developed countries. So while for the developed oil importing countries, as a group, the prospect clearly was that of a current account payments outflow being matched by virtually automatic capital account receipts, the developing oil importing countries could look forward to no such comforting prospect. The prospect that stared the latter group in the face was that of a sizeable current account deficit, almost seven times the deficit incurred by the group as a whole in 1972, with little offsetting capital account inflow of the more or less automatic type that was expected by the developed countries. Therefore, if the developing countries had to continue importing the same quantities of oil as before they would have to either cut down their other imports drastically or to scrounge around for necessary capital assistance.

Thus the developed oil importing countries, as a group, were to be under little immediate pressure to cut down their current imports, from either oil exporting countries or elsewhere. What the developed countries have, in fact, been most concerned with is not whether the surplus oil funds lent back to them, as a group, would be adequate to match their additional liabilities arising on account of the price rise of oil but whether the distribution of surplus oil funds as between them will bear an appropriate relationship to their respective additional payments liability arising on account of oil. If OPEC had no preference among the assets of these developed countries and were willing to invest their surplus funds in the assets of each country in the proportion of their exports to each, there would be virtually no problem at all.[1] The problem would arise when the OPEC showed a preference for one country's assets to the exclusion of those of the others. Then unless the developed countries agreed among themselves on mutual sharing of the surplus oil funds they were likely to get caught in competitive deflation, devaluation or import restrictions. To avoid such a situation, the accent in the developed world has, from almost the very outset, been on the establishment of adequate recycling arrangements.[2]

It is also quite interesting to note that hardly any concern has been shown in the developed world (at least, I am not aware of it) for the possibility that OPEC might want to spend straightaway more than a fraction of their additional oil earnings on imports. The more OPEC wished to absorb in current imports, the greater, one would have thought, would be the draft made by them on the real resources of the developed world. Possibly, no concern was felt on this score partly because of the near-certainty of the limited import capacity of the OPEC, as a group, and partly, one suspects, because additional export demand from OPEC would be welcome to take up the slack, particularly in certain types of industries as, for example, war-related industries,[3] which were experiencing, ties on account of decline in demand, not necessarily related to the price-rise of oil.[4]

II

One thing that did not come out quite clearly, at least not in the early stages, was that given (a) the limited import capacity of the oil exporting countries and (b) their strong propensity to lend back their surplus earnings, directly or indirectly, to the developed countries, as a group, there existed a real danger of a net transfer of financial resources to be followed by real transfer, from the oil importing developing world to the developed world.

Let us start by noting what the picture looked like in, say, the first half of 1974, to get an idea of the expected magnitudes involved. We shall have to introduce some correction to this picture subsequently in the light of what actually seems to have happened during the year both on the oil front and also in regard to export and import prices, particularly those of relevance to the non-oil developing countries. Jan Tumlir, for instance, estimated that (i) the total oil earnings of OPEC in 1974 would amount to $ 85 billion; (ii) of this, some $ 68 billion would be paid by the developed countries and $ 17 billion by the developing countries; and (iii) the total increase in the oil bill on account of the price rise of oil which came into effect from January 1, 1974 would be of the order of $ 65 billion, but (iv) if one allowed for increased current imports of merchandise and services by the oil exporting countries, the collective oil deficit of oil importing countries would amount to $ 50 billion.[5] Tumlir did not go further and attempt a division of the estimated collective oil deficit between developed and developing countries. But that would be very necessary to do in order to have an idea of the payments pressure arising out of the price rise of oil on the developing countries. This gap I have attempted to fill in on the basis of figures available for 1972 (Table 1). On the basis of these calculations, the early projections for 1974 should have implied an increase in the payments deficit of the developing countries from $ 2.0 billion in 1972 to $ 12.9 billion; correspondingly, the payments deficit of the developed countries with OPEC would have gone up from $ 5.0 billion in 1972 to $ 40.1 billion in 1974. The total OPEC surplus would add up to $ 53 billion of which $ 50.0 billion would be the oil surplus corresponding to Jan Tumlir's oil deficit of the same order for the oil importing countries.

But once it was granted that the bulk of the surplus funds with OPEC were likely to be lent back to the developed countries, it should have been quite easy to see that this would mean the developed countries getting back in the form of capital account receipts a sum much higher than was warranted by the group's collective payments deficit. So they were to be under no immediate payments pressure; in fact they were to be in overall surplus insofar as payments were increased. If it were assumed that no part of the OPEC surplus funds would accrue to the developing countries, the excess receipts of the developed world would amount to $ 12.9 billion ($ 53 billion *minus* $ 40.1 billion). This figure of excess capital receipts of the developed world from OPEC for 1974 is to be compared with the possible corresponding figure for 1972 of only $ 2 billion ($ 7 billion *minus* $ 5 billion). Thus if the developing countries had to borrow $ 2 billion in 1972 from outside in order to cover their deficit with OPEC, their dependence for the same purpose on outside would be seven times greater in 1974.

It is important to note here the distinction between the manner of receipt of capital funds by the developed countries and that by the developing countries. Here the analogy of a bank and its relationship with depositors on the one hand and borrowers on the other hand is useful to recall. To the developed countries, the funds are to come in the way the depositors (not of the type who have to be offered all sorts of inducements to save and deposit but those with enormous surplus accretions) take their funds to a bank. For the developing countries, their position is like the borrower's and that too of perhaps a small farmer (certainly not of a monopoly house) getting a loan from the bank. The two positions are distinctly different though in the end both the bank as well as the small farmers can be shown to have borrowed.

While the bank is usually in a strong position *vis-a-vis* its depositors and can dictate its own terms, the small borrowers's position is extremely weak. The bank knows that its depositors have nowhere else to go with their surplus funds, whereas its borrowers live, individually at least, in constant fear that they may be left high and dry without their request for funds being granted. So they have to be prepared for the possibility of having to go without bank support. The same is very much the position of the developing countries.

Let it suffice for the moment to add that the story would be different if the OPEC were to canalise part of their surplus funds, say at least $ 12.9 billion in 1974, directly to the developing countries. Then the oil importing developing countries, as a group, would have been placed in more or less the same position as the oil importing developed countries. The problem then would have been to ensure that the distribution of these surplus funds bears an appropriate relationship to the oil imports of these countries.

III

Before we go on, it is appropriate that we should refer here to a development that preceded the sharp rise in oil prices. This related to commodity prices. The principal factor that the above picture does not take into account is that export prices started registering increases since the beginning of 1973. In this connection, it ought to be pointed out that the beneficiaries of this price rise were not always the developing countries but also some of the developed countries. It is estimated that during 1973 the export prices of primary commodities rose by 54 per cent but while the net gain of the non-oil developing countries, as a group, was put at less than $ 3 billion[6] for the year, the gain to the USA, alone, among the developed commodity exporters, was estimated at $ 9 billion. Also, during this very period, the export

TABLE 1: PAYMENTS DEFICIT OF THE OIL-IMPORTING DEVELOPED AND DEVELOPING COUNTRIES WITH OPEC IN 1972 AND 1974

(in billion dollars)

	1972		1974 (forecast)	
	Developed Countries	Developing Countries	Developed Countries	Developing Countries
(1) OPEC exports of	20.3	4.7	70.7	17.3
(2) Oil exports	17.6	4.4	68.0	17.0
(3) OPEC imports (including non-merchandise)	15.3	2.7	30.6	4.4
(4) Payments deficit (1 *minus* 3)	5.0	2.0	40.1	12.9
(5) Oil deficit (2 *minus* 3)	2.3	1.7	37.4	12.6

Notes : (a) It is assumed that non-oil exports of OPEC will remain at the same level as in 1972.
(b) Also it is assumed that the proportion of OPEC imports bought from the developed countries would be some what greater in 1974 than in 1972.

prices of fertilisers increased very sharply[7] and again the developed countries were the net gainers at the expense of the developing countries.[8] Thus when the year 1974 set in, though the non-oil developing countries, as a group, were probably still net gainers on account of the rise in commodity export prices, some within this group, which included India, were already very badly hit. And while this price rise of their commodity imports and fertilisers continued in 1974, there was super-imposed on it the rise in oil prices, with the result that the position of this sub-group within the developing world became really desperate.

To illustrate this with what seems to have happened in India, while the country's oil bill in 1974-75 is estimated to go up by about $ 750 million, it has, at the same time, to incur an additional liability of $ 750 million with respect to food and fertiliser imports. The total additional bill on these two accounts would pre-empt almost over 30 per cent of the total export earnings of the country.

Even for those of the developing countries which were net beneficiaries from the improvement in commodity export prices, the gain now appears to have been rather short-lived because commodity prices have started declining and have, in some cases, already gotten back to levels obtaining in the beginning of 1973. Interestingly, fertiliser prices have shown no signs of coming down as yet. In fact, fertiliser prices in 1974 have been higher by at least 50 per cent over 1973 prices. So the net gain to the non-oil developing countries, taken as a whole, from the commodity price-rise may soon disappear.

IV

As for the overall picture for 1974, as it actually unfolded, it would appear that some degree of under-estimation was involved in the forecast[9] made earlier in the year. As against Jan Tumlir's estimate of gross oil earnings of OPEC of $ 85 billion, the actual figure, according to Bank of England, is likely to be $ 94 billion. But the net addition to the OPEC resources is put at $ 56 billion, i e, higher than Jan Tumlir's estimate by $ 6 billion. However the difference between $ 94 billion and $ 56 billion (i e, $ 38 billion) does not all represent OPEC imports; part of it is said to represent trade credits extended by the OPEC to oil importers. (Trade credits should really be regarded as part of OPEC's reserve.) So it is quite likely that Jan Tumlir's estimate of OPEC's imports might well turn out to be very close to reality.

The interesting part of the actual story, however, is that of the OPEC surpluses arising in 1974 (let us stick to the Bank of England's figure of $ 56 billion). The total disbursements during the year to the developing countries might not have accounted for more than $ 6 billion. This would include $ 3.4 billion made available to the IMF Oil Facility (more popularly referred to as Witteveen Facility after the Fund's Managing Director) and $ 1.2 billion given as loan to World Bank. But one has got to remember that the IMF Oil Facility is intended to assist all oil importing countries, developed as well as developing, in oil related difficulties, and that in actual disbursements made out of the Facility the developed have shared in somewhat larger proportion than the developing countries. Therefore, to set the whole amount lent by OPEC to Oil Facility would be to overstate their disbursements in favour of the developing world. In any case, it would appear that almost 90 per cent of OPEC surpluses have found their way to the developing world. The consolation one can still possibly draw is that only 90 per cent, and not the full 100 per cent of OPEC surpluses, got canalised to the developed world.

Let us add also that during the course of the year a number of aid commitments have been made by OPEC to the developing countries. They all added up to some $ 11 billion though, as stated above, the actual disbursements during the year could not have been higher than $ 5 billion.

Now let us look at the actual payments position of the developing countries, again as a group, only fully aware though that some within the group may have been much worse affected than others. It can be seen from Table 2 that as against the forecast figure of 12.9 billion for the payments deficit of the developing countries with OPEC, the actual is likely to be 14.7 billion. As against this, OPEC disbursements to the developing countries amounted to $ 6 billion.[10] Their deficit with OPEC which will still remain to be financed should be of the order of $ 9.7 billion. This has to be viewed against the fact that before the price rise of oil, the non-oil developing used to be in deficit on non-oil account to the extent of some $ 12 billion a year. (Then their oil-deficit amounted to only $ 2 billion.) Thus the total payments deficit for which the developing countries will have to look up to the developed world will now be of the order of $ 20.7 billion. Clearly, the dependence of the former on the latter will be greater by at least 50 per cent.

V

The question now to ask is whether this dependence of the developing countries on the developed world was at all necessary. It is ironic that the developed countries which are supposed to be the most weighed down under the impact of the price rise of oil are to be looked to for succour. But, in the light of the foregoing, it is easy to see that this situation is the direct consequence of the fact that oil exporting countries choose to put all their surplus funds into the hands of the developed countries. If, for instance, the oil exporters lent about $ 21 billion out of their surpluses of $ 56 billion to the developing countries it would have completely rid these countries of their dependence on the developed world and made the Third World (let us hope that it remains intact and does not crack up which many would like to see happen) completely self-reliant straightaway. Just as it was realised from the very outset in the developed world that the immediate problem was to sort out between themselves an appropriate re-cycling arrangement, it ought to have dawned on us in the Third World that the oil development offered us a rare opportunity to become self-reliant provided suitable arrangements could be worked out for the canalisation of a portion of the OPEC surpluses among the developing countries. This canalisation would have to bear an appropriate relationship with (a) the oil imports of the oil importing developing countries and (b) the non-oil payments deficits of the developing countries where the latter takes due account of the development needs. In fact, if one were more ambitious one could speak of canalisation of OPEC surpluses on a much larger scale to the developing countries. But going by the experience of 1974, that would amount to dreaming.

TABLE 2: PAYMENTS DEFICIT OF OIL IMPORTING DEVELOPED AND DEVELOPING COUNTRIES WITH OPEC, 1974

	1974 Forecast		1974 Estimated of Actuals	
	Developed Countries	Developing Countries	Developed Countries	Developing Countries
(1) OPEC exports	70.7	17.3	77.9	19.1
(2) Oil exports	68.0	17.0	75.2	18.8
(3) OPEC imports (including non-merchandise)	30.6	4.4	30.6	4.4
(4) Payments deficit (1 *minus* 3)	40.1	12.9	47.3	14.7
(5) Oil deficit (2 *minus* 3)	37.4	12.6	44.6	14.4

Notes

1 In what I consider to be the best and the clearest exposition of the theoretical issues involved in the oil crisis, Jan Tumlir, Director of Research at GATT, explains what, if any, will be the magnitude of real transfer under different conditions consequent upon the financial transfer, that follows the increase in oil prices, from the oil importing countries to the oil exporting countries. He shows how if the oil exporting countries were to keep all their additional proceeds in monetary assets of the oil importing countries, *without preference*, no real transfer will take place; the oil importing countries' real income will remain undiminished and "the higher price of oil is paid in easily printable paper". See "Oil Payment and Oil Debt in the World Economy" in *Lloyds Bank Review*, Number 113, July 1974. Denis Henky, the British Chancellor of Exchequer, was among the earliest to propose the establishment of a fund to undertake such recycling. He proposed that a $ 30 billion fund should be set up for this purpose. Incidentally, the US response to such proposals for institutional recycling were rather lukewarm for the quite understandable reason that the US was both directly and indirectly the principal beneficiary of the oil exporting countries' preference as between the developed countries. Only towards the close of 1974 did the US come up with its own plan, called the Kissinger scheme, to establish a $ 25 billion revolving fund. But the American plan was clearly a political response to pressures within the group of developed countries. (It should make an interesting study to find out to what extent the preference shown by the oil exporting countries for the US assets might have helped the US to rehabilitate itself politically and to reassert its right to head within the group.)

3 It is estimated that the arms exports to the OPEC countries more than doubled in 1974 to something like $ 5 billion and that the US share in these exports was at least 50 per cent.

4 Speaking only of the developed oil importing countries Tumlir draws the conclusion from his analysis that if oil exporting countries were to spend all their extra proceeds on current imports, the former will, no doubt, "have a real transfer problem but not an insoluble one". He elaborates as follows:

> "They would feel no deflationary pressure since export demand would 'take up' those resources freed when spending declined as oil products and energy in general attracted a higher proportion of domestic expenditure. The once-for-all increase in the oil price would represent a real transfer of 1-2 per cent of their GNP, i e, about one-half of their annual GNP growth capacity; and, after the inevitable structural adjustment, growth capacity of those economies would remain unaffected. It is indeed probable that the growth of global real income ..., after an initial slowing down caused by adjustment friction, would be stimulated by the international income redistribution implied by the transfer and be faster than before."

5 In making his estimates, Tumlir assumes (a) that the demand for oil imports in 1974 will run some 5-7 per cent below the 1973 level and (b) that while the merchandise imports of the oil exporting countries will increase by 20 per cent in 1973 and 25 per cent in 1974, their non-merchandise purchases will increase by 30 per cent in 1973 and 35 per cent in 1974. That is how he arrives at the total spending OPEC on current account of $ 35 billion.

6 During 1973, several of the developing countries experienced substantial crop failures and had, therefore, to import vastly increased quantities of staple foods. For example, shipments of wheat to developing countries (excluding oil exporters) rose from 17.8 million tons in 1972 to 32.0 million tons in 1973 and its cost rose much higher from $ 1.3 billion to $ 4.8 billion.

7 In one year, the export prices of fertilisers, an import crucially required for the production of primary products, increased by 100 per cent. See *IMF Survey*, August 5, 1974.

8 Here again, the USA was the principal beneficiary of the increase in fertiliser prices.

9 I must add here parenthetically that the forecast used here was not the only one made. I used Jan Tumlir's estimate because it came very close to the IMF estimate (reported in many places but not published with breakdowns, etc). A number of other forecasts made at the time painted a much inflated picture of the consequences of the rise in oil prices.

10 As I have said already in the text, not the entire $ 6 billion can be set against developing countries because both developed as well as developing countries are eligible for the Fund Oil Facility. At the same time, however, it was noted that trade credits extended to developing countries were not included in the figure of $ 56 billion given for addition to OPEC's reserves. It is not unlikely that some part of the trade credits may have been extended to developing countries. So, all in all, if disbursements can be taken to include outstanding trade credits the figure might still be around $ 6 billion for the developing countries.

11 Here it is assumed that before the price rise of oil the developed countries assisted the developing countries to the tune of $ 14 billion a year.

Rayon and Synthetic Textile Exports

EXPORTS of rayon and synthetic textiles, which registered an all time high during 1973-74, revealed a downward swing in 1974-75 and aggregated Rs 21.53 crores as against Rs 33.04 crores in 1973-74. Exports of rayon and synthetic fabrics which stood at 767.21 lakh metres valued at Rs 27.92 crores in 1973-74 receded to 306.39 lakh metres valued at Rs 19.24 crores. However, there was a noticeable increase in unit value realisation from Rs 3.64 per mtr in 1973-74 to Rs 6.28 per mtr in 1974-75. This rise in unit value realisation was possible on account of large shipments of sophisticated nylon dress materials to Poland. Shipments of filament rayon fabrics declined from a peak level of Rs 17.17 crores in 1972-74 to Rs 9.77 crores in 1974-75. Spun rayon fabrics suffered a setback on account of poor offtake by Bangladesh. The share of nylon fabrics increased from Rs 6.33 crores in 1973-74 to Rs 6.63 crores in 1974-75, thanks to the massive shipments of dress material to Poland. While the shipment of fabrics to the Asian and African zone was lower (at Rs 4.64 crores and Rs 1.21 crores, respectively) shipments to the European zone increased by about 70 per cent, with an offtake of Rs 10.49 crores. Exports to European countries improved from Rs 6.52 crores in 1973-74 to Rs 10.49 crores in 1974-75 thereby accounting for 54.52 per cent of the total offtake of fabrics during the year under review. Poland alone contributed to the major part of this rise with imports valued to Rs 8.21 crores.

Changing Forms of Agricultural Enterprise in West Bengal

A Note

Nripen Bandyopadhyaya

This note draws attention to a particular form of entrepreneurial activity associated with the cultivation of summer paddy in some of the irrigated areas of West Bengal.

The arrangement is known as 'Thika'—a contract system under which parcels of land are leased in for a particular crop for a stipulated season. In exchange the owner of the land is paid an invariable rent, in kind, specified at the time of the contract.

THE limited purpose of this note is to draw attention to a particular form of entrepreneurial activity associated with cultivation of summer paddy (*boro*) in some of the irrigated areas of West Bengal. In the area being referred to, the cultivation of this particular crop on a significant scale is a comparatively recent phenomenon. The Table indicates the pace at which cultivation of *boro* rice has been increasing over the past few years. It further indicates that the per-acre productivity of *boro* is much higher than that in *aman* (winter rice) or *aus* (autumn rice).

This is so, because this *boro* rice is cultivated overwhelmingly with HYV seeds, under controlled irrigation facilities. In the summer, moreover, the cultivation is free from the hazards of insufficient photo-synthesis and waterlogging. The comparatively better productivity is increasingly tempting planners to suggest a shift of rice cultivation from *kharif* to *rabi* and *boro*. It is beyond the scope of this limited note to go into a critical appraisal of such a recommendation. But it may not be out of place to point out that shifting the major period of cultivation of paddy, from monsoon to winter or summer will in the case of West Bengal mean investment on a very large scale in perennial irrigation infrastructure — and non-use of the greatest natural bounty, *viz*, rainfall, over a large part of the year.

The major issue under discussion here, however, is the new form of entrepreneurship which is emerging in the cultivation of *boro* rice. This particular form of entrepreneurship is limited to the better-irrigated parts of Hooghly and Burdwan districts. The arrangement is known as *thika* — a contract system, wherein parcels of land are leased in for a particular crop, in this case *boro* for a stipulated season. In exchange, the owner of the land is paid an invariable rent, in kind, specified at the time of the contract. In some cases, the payment is made after converting the stipulated rent share into money at current prices.

Forms of under-tenancy, based on an invariable, kind or cash, rent were quite rampant in pre-Independence Bengal — side by side with the common form of variable kind rent under-tenancy, popularly known as *bhagchas, bargadari, adhiyari, bataidari*, etc. The land reform legislations of 1958 abolished all forms of invariable *thika bandobast* — such as *sanja, tanko, gulo* etc. In the past, these arrangements had been imposed on semi-landless poor peasants, broadly referred to by the generic term *korfa* in the Bengal Tenancy Act. The *thika* cultivators, emerging in the area under discussion, are essentially different from the pre-Independence *thika* under-tenants, both in their class origin and in the level of their enterprise. The new *thika* operators under discussion belong mainly to the new village gentry class, who are essentially *bhadralok*. They belong to the rising peasant castes, as distinct from either the backward castes and tribes or the rentier upper-castes. In fact, in the area under review, a significant number of the educated unemployed youth — members of the new gentry — are participating in this new form of entrepreneurial effort.

Land for *thika* is now being leased out by two distinct and different sets or classes of owners. They are (a) the large landowners, who own land in dispersed fragments, and (b) very small owners lacking command over resources sufficient to cultivate a second crop of paddy on an intensive scale. While large owners find it unmanageable and and risky to venture operations in cash-intensive HYV cultivation in scattered fragments, the small ones find it difficult to mobilise sufficient resources since they lack the necessary savings or contacts and/or credit with official, semi-official and commercial agencies who supply material inputs and cash loans on a required scale.

The current rate of rent paid to the owners of the land is between 3-4 maunds of paddy per *bigha* (0.33 acres) or, in other words, 10 to 12 maunds of paddy per acre. Converted into cash at last season's harvest prices, this comes to Rs 180 to Rs 200 per *bigha*. In other terms, Rs 600 per acre for leasing out land for three months, seems sufficiently lucrative to induce both types of landowners, mentioned above, to lease out their land that would otherwise remain temporarily fallow. It must also be noted that, for the smaller owners, there remains the additional incentive in a period of comparative unemployment of possible employment as hired agricultural labour under the lessee.

This is as far as the interests of the owners of the land are concerned. Let us now consider the incentive for the lessees operating on the *thika* arrangement. If the lessee is sufficiently enterprising, has proper contacts and some amount of ready cash, and if he is capable of procuring sizeable land area consolidated through loan arrangements, an assured production of 20 to 25 maunds per *bigha* (0.33 acres) is not very difficult to achieve. Net of cost, calculated at a liberal rate of 10 maunds (Rs 500-600) per *bigha*, the expected surplus accruing to the *thika* cultivator should be not less than 10 maunds — which, at the minimum current market rate, works out to Rs 600. Thus, with an investment of Rs 500 per *bigha* (the average estimated cost HYV cultivation in the region) an enterprising *thika* cultivator makes a net profit of Rs 600 within a period of three months. This rate of profit is attractive for them.

This high rate of profit on short-run investment, tends to draw considerable black-money into agriculture. The lure of this sort of investment in agriculture to holders of black-money is further increased by the fact that, till now, there is no restriction on the size of the *operational* holdings, though the size of *ownership* holding, has a stringent

SEASONWISE AREA AND PRODUCTION AND PRODUCTIVITY OF RICE IN WEST BENGAL

(Unit : Area in '000 acres
Production '000 tonnes)

Year	Summer Rice		Winter Rice		Autumn Rice		Total		Productivity Tonnes/Acres			Average Productivity
	Area	Production	Area	Production	Area	Production	Area	Production	Summer Rice	Winter Rice	Autumn Rice	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)				
1967-68	135.4 (1.17)	108.8 (2.12)	9691.2 (83.18)	4422.2 (86.29)	1823.0 (15.65)	594.5 (11.59)	11649.6 (100.00)	5126.0 (100.00)	.80	.45	.32	.44
1968-69	224.5 (1.87)	218.4 (3.84)	9604.9 (80.33)	4753.7 (83.57)	2127.3 (17.80)	716.6 (12.59)	11956.7 (100.00)	5688.7 (100.00)	.91	.49	.33	.47
1969-70	262.8 (2.12)	311.9 (5.24)	10174.6 (81.98)	5009.3 (84.05)	1972.9 (15.89)	638.6 (10.71)	12410.3 (100.00)	5959.8 (100.00)	1.18	.49	.32	.48
1970-71	460.8 (3.77)	526.9 (8.71)	9809.5 (80.10)	4620.5 (76.46)	1974.9 (16.12)	895.6 (14.82)	12245.2 (100.00)	6043.0 (100.00)	1.14	.47	.45	.49
1971-72	752.5 (6.10)	919.2 (14.34)	9606.8 (77.87)	4535.2 (70.81)	1976.2 (16.03)	951.2 (14.84)	12335.5 (100.00)	6405.6 (100.00)	1.22	.47	.48	.51
1972-73	675.3 (5.18)	728.9 (12.75)	9954.3 (78.55)	4190.7 (73.33)	2062.0 (16.27)	795.7 (13.92)	12673.6 (100.00)	5715.3 (100.00)	1.10	.42	.38	.45

Note : In 1971-72, the peak production year increase is largely due to increase in *boro* area and yield.
Source : Socio-Economic Evaluation Branch, Government of West Bengal.

(though in fact purely formal) ceiling. Further, agricultural profit is, by and large, beyond the scope of income-tax. The possible impact of this on the consequent nature of entrepreneurship may be illustrated by one case-study, presented below:

A Case Study

In connection with some other investigational work, in May 1974, the author visited a village cluster, in the part of Hooghly which borders on Burdwan and is also on the main railway line. In the evening, he camped for the night in one of the office-rooms of a deserted rice-mill, as a guest of another social scientist engaged in participant observation in the same area. The large cemented area of the rice-mill — normally used for drying boiled paddy — was full of freshly harvested paddy crop. A very rhythmic and efficient arrangement of threshing of paddy throughout the night certainly aroused special interest.

On enquiry, it was found that the whole stock of paddy collected in the mill ground belonged to one *thika* cultivator. This gentleman, who has considerable trading interest in that region's rural market, had managed to lease in and consolidate a cluster of about 80 *bighas* of land for *boro* cultivation. He was in possession of a tractor, purchased a year earlier largely through bank finance. He had also purchased a few sets of irrigation pumps and had managed to get a substantial fertiliser loan from the state agencies. He had mobilised labour, both from outside as well as from the locality, and had produced about 2,000 maunds of HYV paddy during the *boro* season. According to very liberal estimates, based on local market prices, the cost of input per *bigha* for this particular cultivator was Rs 400 to Rs 425. The rent paid by him was 3 maunds per *bigha*. In other words, he was able to realise a net income of Rs 80,000-85,000 by investing Rs 30,000-35,000 for a period of 3 to 4 months only. A large part of this investment, again, was from government and semi-government agencies.

It should be pointed out here that *boro* paddy cultivation, in this region, is not undertaken for subsistence purposes. All labourers are paid in cash and a fixed perquisite in kind. Almost the entire production remains marketable. It should also be pointed out that the levy collection from this year's *boro* has been miserably low. Consequently, though *boro* rice as yet constitutes a smaller part of the total rice production of the state, its proportion in the marketed quantity of paddy is proportionately larger, and also entrepreneurs such the one under discussion are able to secure considerable power by gaining control of such a large quantity. The problem is further accentuated by the fact that, especially in case of this type of *boro* cultivation, an the essential materi[illegible] inputs and the [illegible]tal provision of [illegible]ter, is provided through state developmental expenditure — at prices below the market level. Possibly, this was the rationale behind the state's declared levy on all *boro* cultivators, irrespective of their operational size.

State-Aided Capitalism

Certainly, there is an increase in rice production through such entrepreneurial efforts. Apart from contributing to the total availability of the foodgrains in the country this enterprise also provides useful employment during the lean seasons for the landless and semi-landless agricultural labourers and for poor peasants. Yet, the experience of the last few years has shown that rise in foodgrains prices — like those of many other commodities produced in our country — bears hardly any relation to changes in production. There is a distinct tendency of spiralling of foodgrains prices, playing on the *narrow deficit* margin of foodgrains production and triggering off inflationary rises in other sectors. a

This raises doubts as to whether increased production, through an entrepreneurial structure of the commercial-cum-state capitalist type described earlier, is a suitable method for specifying the immediate need of fighting inflation and of catering to the dialectical necessity of augmenting production and improving distribution at the same time.

While concluding, it should be submitted again that the observations noted above are based on one region of the state of West Bengal alone. The specific form discussed above relates to one particular crop season. A more thorough and wider investigation is necessary for a general characterisation of the emerging patterns of agricultural entrepreneurship in the even better irrigated areas of West Bengal.

[The author wishes to express his gratitude to Bikram Kesari Roy Burman for help in fieldwork.]

Recent Farmers' Agitations in Punjab

Nirmal Azad

In part I of this article, some general comments are made on the current state of agriculture in Punjab. Part II deals briefly with the farmers' organisations in the state.

The story of two farmers' agitations— one of cotton-growers of Bhatinda district and the other of tubewell-owners in Gurdaspur district—is narrated in parts III and IV, respectively.

Finally, in part V, some tentative conclusions are drawn from the farmers' agitation primarily in Gurdaspur district. It is suggested that farmers' agitations, as such, independently of an understanding of the existing class conflicts and divorced from any idea of a strategy will necessarily peter out and prove ineffective.

I

IN Punjab state – the land of the 'green revolution' – the capitalist mode of production has emerged as the dominating mode in agriculture. This mode of production is creating tendencies toward social polarisation and class conflicts in the rural areas – leading to the sharpening of contradictions in the old feudal and semi-feudal relations of production.

In Punjab, about 76 per cent of the population of about 14 million, live in some 12,188 villages. Of the rural population, about 30 per cent are landless and among the land cultivators in the state, about 33 per cent are small and marginal farmers (cultivating less than 7.5 acres); 32 per cent are middle farmers (cultivating between 7.5 and 15 acres); and 35 per cent are big farmers (cultivating about 15 acres).

All the landless, marginal, and small farmers are poor. Not all the middle farmers and big farmers are rich. But the majority of the big farmers, and a part of the middle farmers, are rich. Some of these rich farmers can be termed 'capitalist farmers'. The so-called 'green revolution' has benefited, on average, largely the big farmers and only partly the middle farmers. The gains for the small farmers and the landless, if any, were just marginal – and indeed, by now, even these gains have disappeared.

Nearly all the rural classes are adversely affected by the current inflation in the economy. The related problems of the cultivators of all classes are: higher prices of seeds, chemical fertilisers, pesticides and germicides, and watering facilities, as also the shortages of all these essential inputs, even as there is constant talk of pegging down the prices of farm products – particularly foodgrains and commercial commodities. At the same time, the inflationary rise in prices of industrial commodities consumed by the farmers, as compared with that of their own farm commodities has seemingly turned the terms of trade against them.

In addition to all this, the classes of landless agricultural workers and of marginal and small farmers suffer also from the development of capitalism in agriculture, because of their relatively inferior class positions. For all its programmes for making the marginal and small farmers economically viable, the Government has failed completely to provide any economic and social relief to these poor landowners and landless cultivators. With the penetration of the capitalist mode of production in Punjab agriculture and with the expansion of the home market – and consequently with the sharpening of class stratification here – even the middle-class farmers have been experiencing a constant deterioration in their socio-economic conditions.

II

The Kisan Sabhas are old organisations of the peasants in Punjab. The class-basis of these Kisan Sabhas is that of middle farmers – which now includes also a part of the capitalist farmers. Though these Kisan Sabhas have professed also to advocate the economic interests of the poor-class peasants – i e, the marginal and small farmers – they have in fact failed completely to build any base among the poor peasants.

In the state two new organisations of farmers have emerged – the Punjab Zimindara Union and the Punjab Wahi-Wahikar Union.

The Zimindara Union professes to defend farmers in general against the state's anti-farmer policies. This Union, however, has its base mainly among the middle and big farmers – and thus advocates mainly the interests of the rising rural bourgeoisie in the state. Before the emergence of the Zimindara Union, there was virtually no organisation of the rich and/or capitalist farmers in the state. This Union has now filled that vacuum.

The other new organisation of the farmers is the Punjab Wahikar Union, which professes to organise only those who perform actual manual labour in the cultivation of land and/or those who while they may belong to any other rural class are pro-people in their ideology. This organisation of farmers is more militant, in its approach to the problems of the farmers, compared to either the Kisan Sabhas or the Zimindara Union. The Wahikar Union is trying to organise, in some regions of the state, both the marginal and small farmers – the poor peasantry of the state – as well as the middle-class farmers. However, it is interesting that, at present, this Union is controlled by the interests of middle-class rich farmers (many of them capitalist). Thus, in its slogans and demonstrations, it displays more the militancy of the rural middle classes. The class-basis of the Wahikar Union is thus not different from that of the existing Kisan Sabhas.

Unfortunately, the Kisan Sabhas, the Zimindara Union and the Wahikar Union, were organised in the state without any objective class-analysis of Punjab's peasantry. Because of this lack of any objective class-analysis of rural Punjab, the interests of the middle-class rich (and capitalist) farmers have come to dominate even the Kisan Sabhas and the Wahikar Union – though these organisations profess to stand for the interests of the poor peasantry in Punjab.

III

Recently, both the Wahikar Union and the Zimindara Union were involved in the agitation of the farmers for higher prices for cotton and for the purchase of cotton at these higher prices by the Cotton Corporation of India. There was grave resentment among cotton-growers over the low prices of cotton being offered to them by the private traders in the markets. For the acceptance of these demands of the cotton-growers, both the Unions were active, without any apparent alliance. The cotton-growers are now very conscious in seeking an increase in the price of cotton of all varieties. The Zimindara Union in previous years had done some propaganda work among the cotton-growers to this effect. Last season, the Cotton Corporation of India (CCI) came into the field to purchase cotton. At that time, the Wahikar Union too came into the field to organise the farmers along with the Zimindara Union.

The consequent agitation was more intensive in Bhatinda district. In Bhatinda district, the economically viable cotton-growers withheld the sale of cotton from the markets. Later, the cotton-growers forced others to join in and succeeded in making even the not rich cotton-growers withhold sale of cotton. For some time they even forced the fodder and milk sellers to boycott the local markets, thus cutting the supply of these two essential items to the neighbouring small towns and the city of Bhatinda.

Almost all the big and middle (i e, rich and capitalist class) farmers withheld the sale of cotton to the markets, but a majority of the small and marginal poor farmers did sell their cotton at the low price of about Rs 270-280 per quintal, immediately after the season and before the intensification of this particular agitation. Only when the agitation was intensified and even the sale of milk and fodder – either voluntarily or involuntarily – was withheld from the markets, did the small and poor farmers 'join' the agitation to boycott the cotton markets. Significantly, the agitation, and the demonstration that followed, was led by big and middle-class farmers, mainly under the leadership of the Wahikar Union!

A big demonstration, of 8,000 to 10,000 farmers, was led by the Wahikar Union at Bhatinda (helped by the Zimindara Union) in November 1974. The police fired teargas shells, made a strong lathi-charge, and also opened fire on the farmers, to disperse and terrorise the demonstrators near the district headquarters. Hundreds of farmers were arrested and beaten up by the police. The police damaged tractors and trolleys of farmers participating in the demonstration. Warrants were issued on many alleged organisers of the demonstration, and the family members of many farmers, students and other demonstrators were terrorised.

The main demands of the cotton-growers of Bhatinda district were two: first, higher price for cotton – not less than Rs 450 per quintal (indeed, according to Wahikar Union, not less than Rs 500 per quintal); and secondly, the purchase of the cotton by the Cotton Corporation of India at this price. In the middle of December 1974, the Punjab Government decided to enter the market to buy cotton through Markfed. Markfed was to purchase the cotton at the prevailing prices, since no support price for cotton had yet been fided. The CCI had bought cotton at about Rs 275 per quintal last season. Now, since the cost of production had gone up, the remunerative price, it was argued, had to be between Rs 350 and Rs 400 per quintal.

Cotton prices shot up in Punjab markets following the state government's decision to enter the cotton market to check a fall in the cotton prices. The average price of cotton at one stage reached Rs 400 per quintal. Thus big cotton-growers, who have the means and resources to carry stocks of their produce, did not market their cotton in the hope of getting the better price when some agency (such as CCI or Markfed) would enter the cotton market. Consequently, market arrivals of cotton this year have been adversely affected.

There would thus be some 9.5 lakh bales of cotton in the state, this year, as against 10.5 lakh bales last year. The state produces 18 per cent of India's cotton, valued at Rs 125 crores, although it accounts for only 6 per cent of the total cotton area in the country. The yield of cotton in Punjab is the highest in the country.

IV

There was another farmers' agitation in Punjab, in which only the Punjab Zimindara Union was involved. This agitation started about a year ago, in the Jaura region of the Gurdaspur district (on the Pakistan border) of the state. The main reasons for this agitation, which later involved the district and some parts of the state, were: the drastic cut in power supply to the tubewells; a sudden increase in the flat rate of power charged for its use for tubewells; and the discontinuous supply of power. In the beginning, the agitation in the Jaura region of the district was initiated by some individuals – not directly associated with the Zimindara Union. The Zimindara Union dominated the agitation when it started to spread over the whole district.

There were other reasons for the agitation too. These were: unremunerative farming for many middle-class farmers; falling profits of the rich (and capitalist) farmers due to the inflationary rise in prices of essential farm-inputs; shortages of these, inflationary priced farm-inputs; relatively low prices of foodgrains and commercial commodities; and steep rises in the prices of industrial commodities entering into the budgets of the rich farmers. The small farmers, who have taken loans from the state agencies to install tubewells, are moreover unable to pay the loans and have become 'defaulters'; at the same time, because of their uneconomic holdings they often failed to pay the 'regular' electricity charges at flat rates despite their power-consumption being generally only marginal. These farmers too joined the agitation.

Another reason for this agitation starting in Gurdaspur district was the nature of the holdings with the peasantry in general. In this district, compared with many other districts of the state, the average size of holding is relatively small. The district has no industrial belt that can provide subsidiary employment to farmers – the iron-mills at Batala and the woollen mills at Dhariwal can provide employment to only about 10,000 workers. Thus, the farming community, in general, is poor in the district. Although the district is on the Pakistan border and the state had declared many relief measures to the farmers adjoining the border belt of the district, in practice no regular relief was ever given to the farmers. The main crops of the district are wheat, paddy, and sugarcane – crops for which the farmers depend heavily (next to canal water) on irrigation from electrically-run tubewells.

The main demands of the farmers who launched the agitation were: a 50 per cent reduction in tubewell power consumption bills, since the Board failed to supply adequate power in previous months; taking back of all the increases in the flat rates; no cut in the supply of power but instead it's supply a regular and continuous basis; in case of cut in the power supply, a proportionate reduction in the old flat

rates. Some farmers also demanded that, instead of flat rates, the State Electricity Board (PSEB) should install meters and should charge according to the power consumed. (There are about 15,500 tubewells in Gurdaspur district.) Against these demands of the tubewell-owning farmers, the stand taken by the state government and the PSEB was that there is an overall power crisis in the state and in the nation, so that the cut in the electricity supply to tubewells is justified; that because of the rising cost of power production, a rise in its price was inevitable; and that since electricity is a commodity (in shortage) to be sold to its consumers (who are on the increase) the ordinary law of demand and supply justified an increase in its price.

The agitation was initiated in Jaura area (on the Dera Baba Nanak-Gurdaspur Road) of Gurdaspur district by a group of individuals. This area covers about 64 villages, having 1,257 power-run tubewells, 3 rice-mills, and 46 flour mills. For this agitation, a fund was raised – initially, from the contributions made by the tubewell-owning farmers of this area, then from the tubewell owners of other parts of the district, and later even from the general public.

The organisers went on to also collect five to ten young men from each village of Jaura area, so as to propagate the idea of the agitation. The idea was that no tubewell-owner should pay the electricity bills, unless the Board announced a 50 per cent cut in the power bills, lowered the power tariff and supplied the power to tubewells for at least 12 hours a day. The services of these rural youths were utilised to prevent the farmers from paying electricity bills at the Jaura Electricity Office. For this purpose, what is more, both persuasion and force were used. Many farmers who insisted on paying the bills, were beaten up by these youths. Thus, many who were otherwise willing to pay stayed put and did not pay because they were afraid of similar treatment. At the same time, the propaganda was intensified, so as to make the agitation more popular in the other parts of the district.

In this phase of the agitation, clashes took place between the PSEB's officials who protested against the force used by the agitators. Some registers and records were burnt. When the police came to help the PSEB's employees/officials in collecting bills, the farmers clashed with policemen. With these farmer-police clashes, news of the agitation spread in the adjoining areas as well like wild fire. The successful resistance of the agitating farmers against the PSEB and the police, encouraged other farmers to intensify the agitation. The agitation thus spread in the entire district. The farmers started to demonstrate for their demands, and against the police, at the local (block) level, and later did so jointly at the district level.

The main local areas where the demonstrations took place were: Jaura, Pakshiwal, Kalanaur, Dera Baba Nanak, Dhariwal, Qadian and Gurdaspur. When the agitation was spreading in the district, its leadership passed out of the hands of its radical initiators. For some times, it became difficult to understand and identify the forces organising this farmers' agitation. Because the radical initiators had no organisations of their own at the state or the district levels, the leadership of the agitation passed into the hands of the Punjab Zimindara Union. In this phase, the district-level leadership was in the hands of Zimindara Union – in some localised pockets it continued to be dominated by radical individuals.

The agitation, in general, was for protecting the interests of tubewell-owning farmers of the district. This comprises the big and middle farmers (i e, the rich/capitalist class) and a few small farmers. In particular, it was to protect the economic interests of the emerging, rural, bourgeoisie. This being the class character of the agitation, its leadership inevitably passed into the hands of the Punjab Zimindara Union. The absence of the Punjab Wahikar Union and the attitudes of the other Leftist political parties (CPI and CPM) who controlled the scattered units of the Kisan Sabhas were also conducive to this passing.

It is interesting to note the attitudes of different political parties/groups towards the agitation. Congressmen from the urban areas opposed it; Congressmen belonging to the rural areas took the view that farmers should pay the power bills, and then ask for a reduction in the flat rates – but should in any case suspend the agitation immediately. While, the urban Congressmen were for suppressing the farmers' agitation without conceding to any of their demands, even the two state Ministers of the Congress Ministry who belong to the district itself regularly camped in the district to compel the farmers to suspend the agitation and to suppress the agitation by terrorising individual farmers and their organisers with the help of the police. The attitude of the CPI rank and file in the villages was sympathetic, because their base is in the class of agitating farmers. But the leaders of the CPI were entirely against the agitation. This stand of the local leaders of CPI, being similar to that of the Congress, perhaps for the first time, the farmers in the district felt the impact of – and understood – Congress-CPI combine in the country. Consequently, now the farmers view the CPI generally as 'sarkari-Comrades'.

One CPI MLA belongs to the Dhariwal Assembly constituency, where the agitation was greatly intensified later on. It was only after eight months of the agitation, when the agitating farmers stubbornly persisted in their demands, resisted police repression, and refused to withdraw their demands, that the CPI leadership reluctantly decided to support the farmers here. Throughout this period, the CPI MLA from Dhariwal, in alliance with two Congress Ministers from this district, tried to convince the farmers to withdraw the agitation. Two or three times, attempts were made to assault the CPI MLA – although it was never clarified as to who were responsible for the raids on the night deluxe bus from Chandigarh to Gurdaspur, in which the MLA was to have been travelling.

Interestingly, the local cadres of the CPM were active of their own, in support of the agitation. But, again, the CPM leadership was in a dilemma about what attitude to adopt to the agitation – to the very end.

Other Leftist cadres, who are opposed to the parliamentary politics of the CPI and the CPM and have been known to sympathetic to the Naxalite movement in the state in the 1970s, largely welcomed the stir by the farmers and participated in the agitation in their individual capacities in the absence of any organised leadership of their own. The idea popular with these radicals is that any agitation against the government is to be welcomed because it is ultimately an assault on the State power. In fact, they welcome any disturbance in the *status quo* initiated by any group of individuals, and thus

generally fail to understand the necessary class-basis of an agitation. They display, on most occasions, an anti-establishment attitude and the familiar militancy of the rural middle classes.

Finally, with the help of the police force, the PSEB succeeded in disconnecting the supply from the Jaura feeder. Then the PSEB authorities tried to switch off the electricity supply from the Dhariwal Power House, but were not allowed to do so by the agitating farmers who started to camp now outside the Dhariwal Power House. In the meantime, the police started to arrest many leaders of the agitation – including student activists, rural leaders of the non-CPI opposition parties (mainly that of Akali Dal), and some Panchayat Sarpanches as well. The PSEB went on to switch off the electricity supply to those rural areas of the district where the farmers had not paid the electricity bills at all or where more than 50 per cent of them had not paid.

In order to prevent the PSEB and state authorities from taking further drastic and repressive steps against the agitators, the Punjab Zimindara Union filed a writ petition in the Punjab and Haryana High Court at Chandigarh, against the PSEB authorities – alleging that the Board had no authority to cut the hours of power supply and/or increase the flat rates. Meanwhile, the Zimindara Union representatives and other individuals started negotiations with the Board and the Punjab Government. In the negotiations, the stand taken by the Zimindara Union was typical of the character of class(es) it represents.

The emerging rural bourgeoisie in the state, it must be stressed, frequently mixes politically both with the opposition parties and with the ruling Congress, whenever that suits it. Under pressure from this emerging rural bourgeoisie, the Zimindara Union tried to reach an accord with the authorities – because, first, the Zimindara Union found it difficult to sustain the agitation; secondly, it was not convenient to continue the agitation which was being opposed by the two Congress Ministers of the district.

The Zimindara Union thus succumbed to the pressures of the authorities and was prepared to withdraw the agitation if some 'assurance' regarding the agitators' demands was given to it by the authorities. Some other radical individuals were keen to continue the agitation, on the other hand, till all the demands of the farmers were conceded. This resulted in mutual conflict between the 'radicals' and the representatives of the Zimindara Union. The Government's stand was very adamant, and it insisted that the demands of the farmers would be considered only if the agitation was first withdrawn. At the same time, it was alarmed at the prospect of the spread of this agitation at the state level and the impact of it on the 'social life of the rural areas' – but primarily its impact on the immediate political fate of the Congress party in the state.

It is interesting that the majority of the farmers who were arrested were middle farmers – the big (many of them capitalist) farmers remained in the background at such times. The support of farmers of the same classes from other districts (mainly from Ludhiana district) was mobilised by the Zimindara Union. The farmers from these districts came out to participate in the demonstrations of the agitating farmers, helped the agitation with funds, and also came to get arrested in jathas in the district in support of the agitation.

The tactics of the Congress Government and the PSEB in handling the agitation and the agitators, were distinct. The tactics were to arrest individual leaders who were not (yet) willing to compromise over the farmers' demands, on the pretext of 'clashes with the police' or of such 'would-be' clashes, or on some other fictitious grounds. Family members of those who avoided police arrest were harassed. It was pointed out to tubewell owners who had paid the bills that the cut in electricity supply for home consumption was because of the agitating tubewell-owning farmers who had refused to pay the power bills and on account of whom the total supply had to be switched off. Where the agitation was weak and slow and where 50 per cent of the tubewell-owning farmers had refused to pay the bills, the supply was also switched off by the PSEB's employees with the help of the police, to scotch the weak movement. Where agitation was strong, the Board was helpless before the farmers who would not allow it to switch off the supply to the tubewells from the village transmeters. In some of such areas, where PSEB's employees, escorted by the police, tried to switch off the supply from the village transmeters clashes took place between the villagers and the police. The dharna and gherao by the agitating farmers, of the Dhariwal Power House effectively disabled the Board authorities from switching off the supply of the Dhariwal region of the district. Another tactic of the government was to continue negotiations with the leaders of the Zimindara Union and other individuals associated with the agitation, to give the impression that it and the PSEB were willing to settle the matter – even as the bureaucracy and the police officials were being associated in the negotiations in many cases at the local levels to convince and terrorise the agitators and their supporters. The opportunity was also used to humiliate and crush the oppositional elements of Akalis and radicals. Village toughs and other anti-social elements were also employed to gather the required information and to terrorise and humiliate the agitating farmers individually.

Some of the significant events throughout the agitation were: force used by the agitators; clashes with PSEB's employees and officials; clashes with the police; demonstrations – particularly at Gurdaspur district headquarters; involvement of the general rural public in the agitation; month-long dharna by farmers at the Dhariwal Power House; resistance offered by the farmers against official pressures and repression; negotiations with the authorities; and the writ petition by farmers in the High Court.

In all, there were about ten demonstrations at the block and district levels. The farmers from the other districts, mobilised by the Zimindara Union also participated in the demonstrations at the Gurdaspur district headquarter before the offices of DC and the PSEB authorities. One demonstration at Gurdaspur had attracted about 12,000 farmers, offering — and this is indicative of the class character of the agitators – a big show of tractors and trolleys.

The villagers in general were sympathetic to the agitation, either because their own village-men were agitating or because clashes took place in the villages with the police and PSEB-men, and in these clashes their own family members were involved directly or indirectly. Significantly, however, an important reason for the lack of organised opposition by the villagers (in spite of the efforts of the Congressmen)

to the agitation was the dominating influence – social, economic, and political – of the agitating class of farmers over the general village public.

The Zimindara Union had never thought the agitation would be so prolonged. This attitude among some of the leaders of the agitation was because of the adamant attitude of the authorities not to concede to the demands of the agitation before it was withdrawn, unconditionally. While some other individual activists (radicals) outside the Zimindara Union insisted that the agitation should continue till the major demands were conceded – including the unconditional release of the farmers, students, and others arrested during the agitation, such individuals were less influential as they were either arrested, or were being carefully rounded up or were also inexperienced for a prolonged struggle, and did not have a lead in the negotiations and demonstrations. Many farmers and the agitations activists were, moreover, hopeful about the legal result of the writ petition filed by the agitators in the High Court.

There are about 15,500 tubewells in the Gurdaspur district alone, and for nine months, over 85 per cent of the consumers had not paid their power bills. The non-payment of power bills by tubewell-owners in Gurdaspur PSEB Circle alone had led to the accumulation of Rs 25 lakhs as arrears. It is worth nothing that Punjab state is in the grip of an acute power crisis, which virtually broke the back of the industry in this border state.

No doubt, this overall situation finally persuaded the agitating farmers after nine months of this agitation to reach an agreement with the Punjab Government and the PSEB officials. The farmers have agreed to suspend their morcha (agitation), and the Board officials have agreed to restore power supply to all tubewells. According to the agreement, the defaulters (i e, 85 per cent of the consumers) were to pay Rs 50 for each tubewell connection before January 15, 1975. This amount was to be treated as part payment and to be adjusted against the dues to be finally worked out. It is reported that instructions have been issued to district authorities to release all farmers who were arrested in connection with the agitation for non-payment of electricity bills – barring those who were involved in cases of violence or in destructive activities. Thus the first few batches of hundreds of farmers who had courted arrest were released from different jails. The released farmers took out processions shouting anti-government and anti-PSEB slogans. In fact, the agitation has had to continue: first, because not all the farmers have been released – several of the more active being detained under different pretexts – and secondly, because there has yet been no assurance of a 50 per cent reduction in tubewell power consumption bills.

V

The tubewell-owning farmers' agitation in the Gurdaspur district was initiated by the radicals, who distinguish themselves by opposing everything being done by CPI and CPM activists. All of these radicals cannot be labelled as Marxists, many of them are just anti-establishment. The basic idea behind this agitation was not any class struggle. The agitation was meant to mobilise the peasantry, in general, against the state government, although some radicals viewed this agitation as a struggle against the 'State' – which it was not by the very character of the agitators, who were the rich and near-rich farmers of the district and who normally are the pillars of the state power. Although the reasons for this agitation were genuine, yet the motives behind it were conflicting and contradictory.

For radicals, the agitation was an attempt to get some foothold in the rural areas, without making any class distinction among the farmers. They failed to understand the politics of economics. In the absence of any organisation of their own, many tried to shine individually as the spokesman of the peasantry in general. For the Punjab Zimindara Union activists (mainly Akalis) and other individuals, it was an agitation to discredit the state Congress Government and two Congress Ministers from the district in the rural areas. Thus, for the parliamentary-oppositionals, it was an opportunity to gain in the coming block Samiti elections and then in the state Assembly elections.

The farmers' agitation in Gurdaspur district offers some tentative conclusions for future struggles. It became clear that (i) without an objective rural class-analysis no agitation should be launched; (ii) an agitation must be a class-agitation, and no agitation can involve the farmers of all classes with the same enthusiasm, because their class basis and interests differ and hence they adopt different attitudes towards the same issues; (iii) an agitation should thus always be over a specific class demand, it should not be over a general demand nor a demand general to all classes; (iv) in the absence of an organisation for rural agitation, no such agitation can be sustained or succeed in achieving its aims over a longer run; (v) an opportunistic alliance of forces or organisations with conflicting aims is likely to prove regressive; (vi) in an agitation from the rural areas, the police and the bureaucracy get involved immediately, to help the ruling party politicians and this fact has to be prepared for with a detailed knowledge among the agitators of their structure and its weaknesses.

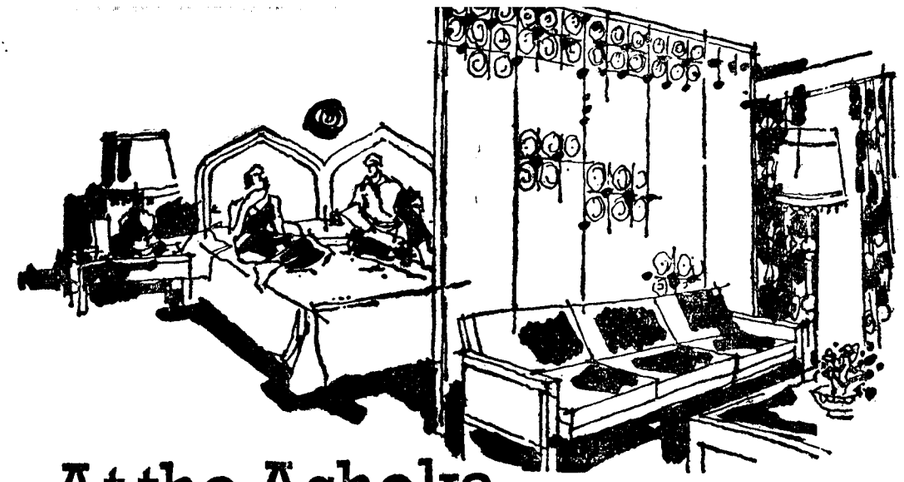
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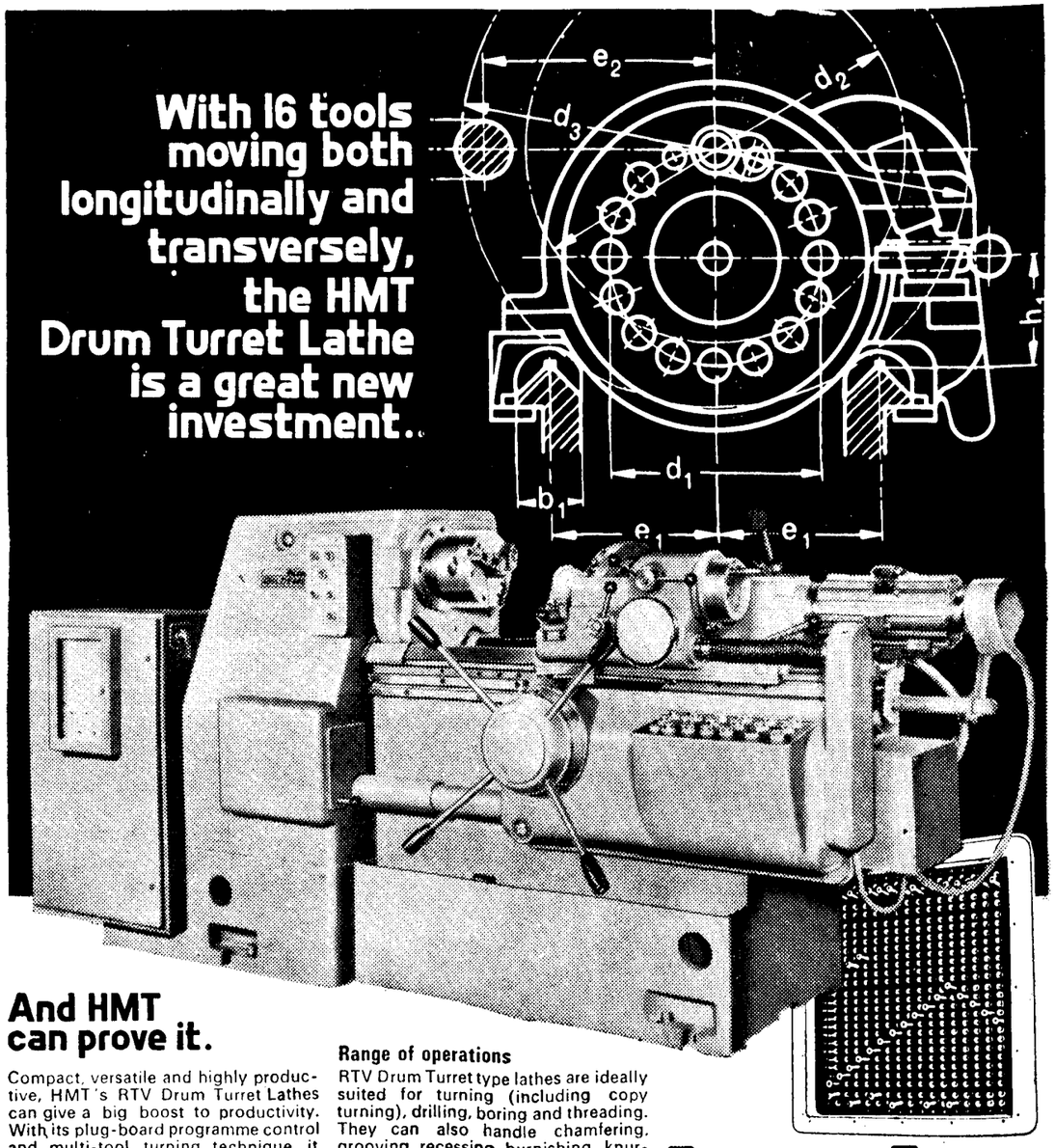


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ECONOMIC AND POLITICAL WEEKLY

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SCUTTLING OF HATHI REPORT

L'AFFAIRE NATIONAL AND GRINDLAYS

MAN-MADE FAMINE IN ASSAM

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Have you got used to a wife yet?

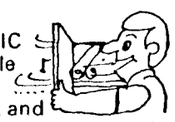
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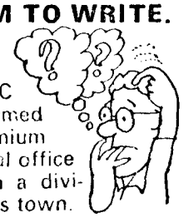
Don't lose contact with your agent after getting your policy. Remember, he will continue to service your policy and should give you any information and help when required.

4. PAYMENT OF PREMIUMS

When you take a policy, your agent or the LIC informs you at which LIC office (or bank if you prefer) you should pay your premiums. This doesn't arise if you've taken it under the salary savings scheme.

Make a note of the date on which your premium falls due, and pay in time. If you fail to pay premiums the policy may be discontinued in which case life insurance cover is lost. Reviving the policy may be possible only on proof of continued good health. Why take a chance?

WHAT TO DO. WHERE TO GO. WHOM TO WRITE.



For any of the following requirements go to the LIC branch office named on your last premium notice, or divisional office if you are living in a divisional headquarters town.

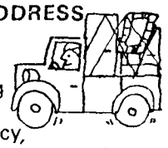
5. NON-RECEIPT OF PREMIUM NOTICE

Sometimes your premium notice may get lost in the post. It is not essential. Make your premium payment with a challan giving details of policy number, due date and mode of payment. You'll find these details on your previous premium receipt (also on your policy).

6. PAYMENT OF LOAN INTEREST

If you have taken a loan, make sure you pay the interest instalments regularly and in time. Otherwise there is a risk of the policy being foreclosed.

7. CHANGE OF ADDRESS



Inform LIC immediately if you change your address, giving details and correct number of your policy, to the office servicing your policy.

8. TRANSFER OF POLICY

You can continue paying your premiums at the same LIC office by post or through a bank if your job entails frequent transfers. If however you wish to pay your premiums in the new place, the policy will have to be transferred. The LIC branch at which you last paid premiums will advise you how to do so.

9. CHANGE OF NOMINATION



If your first policy was taken before you got married you may wish to change the nomination in favour of your wife or child.

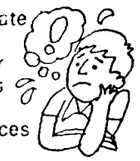
10. REVIVAL OF POLICY

It's in your interest to revive your policy, if premiums were not paid in time and the policy has lapsed.

11. ALTERATION IN POLICY TERM OR CONDITIONS

Contact the nearest Branch Office or the agent.

12. LOSS OF POLICY



For obtaining a duplicate policy contact the LIC office from which your policy was issued or is now being serviced, stating the circumstances in which the policy was lost and the efforts made to trace it. If possible supply policy number, mode of payment, etc.

13. CLAIMS

While making claims, furnish all the documents required to speed up settlement. The divisional office will advise about the documents that are necessary.

IMPORTANT

Quote your policy number correctly in your correspondence with LIC. At last count there were several million policies. Tracking down the correct policy if you give the wrong number is somewhat like looking for a needle in a haystack. Time-consuming, frustrating and sometimes impossible. So always quote the correct number.

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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol X No 21 **May 24, 1975**

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Anything but Growth

THE Government has reason to be perturbed over the developments on the price front since the beginning of last month. The wholesale price index, after touching a low point of 305.9 (1961-62 = 100) on April 5, has since risen fairly sharply, reaching 311.1 by April 26 — a rate of increase of 2.5 per cent per month, which is almost the rate of inflation prevalent between April 1973 and September 1974. It was evident that the seasonal decline in prices since October last was the outcome of a combination of several fortuitous circumstances and that, therefore, it would be reversed by about the middle of April this year. It is to be seen whether the price rise in the coming lean season will be even steeper than had been feared. There are several reasons why it may indeed be steeper.

With the elections approaching, the Government's appetite for drought relief and other types of outlays for political support-buying will grow. Gujarat is a good index of what is to follow. It would be plainly unrealistic, therefore, to expect any restraint on unproductive expenditure by the Central and the state governments during the current financial year. The ominous signs are already contained in the budgetary deficit of the Government so far in the current financial year. In a short period of about five weeks (between March 28 and May 2), the budgetary deficit, as measured by net bank credit to Government, had grown to Rs 798 crores — compared with Rs 258 crores in the corresponding period of last year. During the whole of the last financial year, net bank credit to the Government was Rs 732 crores — i e, less than that during just the first five weeks of the current financial year. Moreover, whereas only about 45 per cent of the aggregate net bank credit to the Government during the last financial year came from the Reserve Bank, the bulk of the bank credit to the Government in the five weeks this year — viz, Rs 671 crores out of Rs 798 crores — has been made available by the Reserve Bank. Given the high inflationary potential of Reserve Bank credit to Government, the ominous implications of the above trends should be obvious enough.

It may be that a large part of the Reserve Bank credit to the Government so far this year has gone to defray budgetary expenditures incurred last year. This, in turn, is the result of the Government's anxiety to keep down the figure of the budgetary deficit last year by postponing payments. The budgetary concept of deficit is admittedly different from the notion of net bank credit to Government, but even by the budgetary concept the actual deficit last year was several times larger than the Rs 176 crores indicated in the Budget.

And the prospects for the current year are truly dismal. As the Economic Survey and the budget have pointed out, last year the net budgetary support from foreign borrowings and external assistance was unusually high — at slightly below Rs 500 crores, as compared with Rs 159 crores in 1972-73 and Rs 254 crores in 1973-74. Can the country count on net external assistance of the same order once again this year? It is questionable, too, whether tax revenues would continue to be as buoyant as they were last year. Similarly, while last year Government was able to contain the demands of its employees for additional dearness allowance with the argument that prices would continue to decline, now with hopes of such continuing decline vanishing, the Central Government would soon be forced to shell out additional dearness allowance. This would have a chain reaction in all the states, especially as elections are nearing. Thus it would appear that the real budgetary deficit, as measured by the more meaningful economic concept of net bank credit to Government, may reach the staggering level of Rs 1,500-1,700 crores in the current financial year.

On the supply side, the situation continues to be as discomforting as ever. Government had shown great optimism about the current rabi crop. But the procurement of 1.5 million tonnes of wheat upto almost the middle of the current month scarcely underpins the hope that the procurement target of 5.5 million tonnes will be reached. As the miserable record in food procurement becomes increasingly clear, the Government's estimates of a record rabi crop are becoming more and more suspect. In any case, it is obvious that the Government would be forced once again to import foodgrains on a large scale. The implications of this for the already precarious balance of payments are obvious enough. The trade deficit last year was slightly over Rs 1,100 crores and the current year's deficit is expected to top this by about Rs 300-350 crores. Faced with this prospect, Government is preparing to allow the private sector to make borrowings from abroad. This is something which several Latin American countries like Brazil have been doing for a long time now. In

fact, in more fields than borrowings by the private sector from abroad, the Government, faced with inflation rates reaching Latin American proportions, is trying to imitate many of the economic policies of such Latin American countries.

Balance of Payments

And So to Dynamic Self-Reliance

OBVIOUSLY, D P Dhar's spirit is still stalking the corridors of Yojana Bhavan. Even though the Fifth Plan's earlier objective of total self-reliance – arriving at the position of zero net aid in the terminal years of the Plan – is no longer feasible because you know why, the Planning Commission is not giving up, its revised goal is the attainment of 'dynamic self-reliance'. Pomposity apart, what does this expression convey? Everybody knows that developments during the past twenty months have completely set at disarray India's planning of balance of payments. Why not admit that fact and cut out the flamboyance? 'Dynamic self-reliance' may imply a circumstance where dependence on external accommodation in one period would alternate with a compensatory surplus on foreign account in a subsequent period. But this is hardly a circumstance India is likely to experience in the foreseeable future. There is therefore a transparent dishonesty in trying to take shelter, as the Planning Commission is apparently trying to do, behind this airy-fairy expression.

The problem is not of semantics, but of the hard realities which face this nation as it tries to match the arithmetic of purchases from, and sales, abroad. It is an enormously difficult situation, and self-deception is the surest road to calvary. After proclaiming loudly for months on end how spectacularly the rupee value of our exports has progressed over the past three years, the Minister of Commerce has now been forced to make an anti-clamactic confession. Even in 1974-75, when exports were claimed to have jumped by 40 per cent, it is now admitted that the volume of exports went up by only 4 per cent. It has not been possible to extract from the government a taxonomic rendering of the increase in earnings in recent years, in terms of each important foreign currency; there is, however, strong ground for suspecting that this increase was either non-existent or nominal. And now, with the bite of the American reaction really gripping, the possibility is looming large of a steep fall in the volume of exports. The bottom had already fallen out of the foreign sales of jute carpet-backing, and the devaluation of the Bangladesh taka will make the position even worse; cotton textiles and marine products are facing equally rough weather, while the Indian summer of sugar exports would also be over once the American administration resumes relations with Cuba, which may happen any day. The subsidy-induced exports of engineering products could also soon run aground, for the fiscal burden of the subsidy could become intolerable once domestic industrial prices catch up in full with the inflationary rise in import costs during the past three years.

Apart from asking the industrialists, and, by implication, the multinational corporations too, to make full use of the government's recent slide toward liberalism and produce and export more, the authorities seem to be totally lacking in ideas about what else could be done to raise foreign exchange earnings. Since even the *de facto* devaluation of the rupee by as much as 22 per cent since December 1971 – which the link with the pound sterling has brought about – has failed to lift the volume of exports to a new qualitative plateau, a straightforward devaluation at this stage could hardly make much of a difference. Meanwhile, the imbroglio over the rupee-rouble rate may cast some shadow on the exports to the Soviet Union too.

These are awkward circumstances. We have now drawn, in the course of the past eighteen months, almost to the hilt from the several tranches of the IMF, and have also made use of its provision for compensatory accommodation in case of a sudden fall in exports as well as of the special oil facility. The lobbying with the Arab nations for credit of assorted durations has proceeded as far as it could proceed within the existing frame of geopolitics. Left out of the deal which the EEC has struck with the black African and Caribbean countries, the scope of our either being able to sell more goods in West Europe or borrow on favourable terms from these seems altogether limited. The uncertainties of the American political and economic climate not only make it difficult to hope for any upturn in exports to the USA; they also would seem to limit the capability of the World Bank to keep on arranging new credits and debt rescheduling under the auspices of the India Aid Consortium. The aspect of debt rescheduling in particular has an ominous relevance. Total debt servicing has crept up from around Rs 270 crores in 1966-67 to more than Rs 600 crores in 1974-75. In about another couple of years, it will threaten to reach Rs 1,000 crores and more per annum, apart from the fact the IMF repayments will also be due. And in the 1980s, once the time of reckoning comes for all the credits that have been recklessly signed with the oil-producing countries in recent months, the debt service burden might well eat up more than 50 per cent of the export earnings as could be projected from current trends.

Against this background, supercilious claims such as about attaining dynamic self-reliance sound altogether silly. We are thrown back on the rut of the stereotyped policy of scrounging for external accommodation, the policy that was dreamed up by the bureaucrats in the mid-fifties and not since ever really abandoned. There is no light at the end of the tunnel in this policy; the tunnel only gets elongated over time. Till as long as there is no fundamental restructuring of the economy, including of its income and consumption patterns, the problem will remain – and grow acute.

Laos

Secret End to Secret War

THE communist victory in Vietnam and Cambodia has almost eclipsed the comparatively quiet transition in Laos. The first signals came on May 9, with the resignation of five rightist ministers from the Laotian cabinet as a sequel to the mounting unrest among students and workers and in the army, demanding the resignation of the pro-US ministers. Some after that the new defence minister, Kham Onam Boupha, replacing the rightist Sisouk Na Champassak, confined the royalist forces to their barracks. The next head to roll was that of the air force chief, Bouathong Phothivongoa, who was dismissed and the air force brought under the direct control of the defence ministry. That sapped the drooping morale of the rightists who, following the lead given by the US embassy, began to leave Laos in ones and twos.

The transition in Laos really began in April last year in Geneva when the agreement on the formation of a coalition government was signed after 15 months of bargaining. In the agreement the communists forced the rightists to accept the demand for a national coalition and were able to neutralise the rightists militarily by making them agree on the joint command of the armed forces and the police while preserving their own armed forces unhampered. Also, in the governmental structure that emerged, the Pathet Lao control was undisputed. In the cabinet of the Provisional Government of National Union, headed by the neutralist Prince, Souvanna Phouma, the communists had Phoumi Vongvichit, the dynamic Pathet Lao leader, as one of the deputies. And in the Joint National Political Council, the body created to suggest policies and organise elections, the communist leader, Prince Souphanouvong, was the president. Because of their weak military position the rightists could not prevent the communist dominance of the coalition.

The situation of Laos in the heart of Indochina, with the Ho Chi Minh trail running through it, made it a focal point of the US strategy for the containment of the communists in Indochina. The US was determined to keep Laos out of communist, or even neutralist influence; even naively neutral Souvanna Phouma was unacceptable to them. This was evident in the US effort, after the collapse of French imperialism, to instal handpicked men in Vientiane in Poui Sananikone, Katay and Phoumi Nosavan. But the repeated military debacles of the royalist forces against the communists upset US plans of having a pro-American puppet regime in Laos. Frustrated by this, the US began to intervene, first, covertly by sending CIA-trained Thai mercenaries into Laos and then by open bombing of Laos. Since the beginning of its intervention in the early sixties, an official US disclosure shows, the US sent 20,000 Thai mercenaries to Laos for subversive operations at an annual cost of $ 26 million and in nine years of bombing dropped two million tonnes of bombs on a population of three million, making Laos the most intensively bombed country in the world.

The US intervention, however, could not deter the Pathet Lao communists. Ever since the early forties – when Souphanouvong retreated to the jungles of Northern Laos to organise various nationalities and classes under the political leadership of Neo Lao Haksat (Lao Patriotic Front) – the main burden of the Pathet Lao strategy has been the unity of the entire Laotian people against a handful of rightists dependent on the US. However, unlike the Cambodians and the South Vietnamese, the Pathet Lao have made peace frequently – in 1954, 1957 and 1962 – with the rightists. However, each time, the peace was breached by the rightists' violation of the agreements and arrests and assassination of communists. On one occasion the Pathet Lao leader, Souphanouvong, was arrested and on another the neutralist Prince, Souvanna Phouma, was ousted in a CIA-sponsored coup.

Such manoeuvres, however, only served to estrange the US aggressors and their stooges from the Laotian people. Even neutralists like Souvanna Phouma, whose vacillations adversely affected the communists on numerous occasions, could not support the rightists any more. Perhaps more than anywhere else in Indochina the Pathet success lies in correct handling of forces as much in peace as in war.

Gujarat Elections

Little to Do with People

Our Gujarat Correspondent writes:

WHATEVER significance the forthcoming elections in Gujarat – precipitated for June by Morarji Desai's dramatic fast – may have for the various political parties, for the people in some two-thirds of the villages of the state who are in the throes of starvation it has ensured at least a temporary lifeline. Train-loads of grain and fodder have begun to move fast to Broach, Baroda, Ahmedabad, Rajkot, Bhavnagar, Jamnagar, Mehsana, Palanpur, Bhuj and Kandla for distribution around these centres. Fleets of watertank trucks have overnight begun to speed around carrying water to villages and to relief work sites so that workers need not trek two to five miles for their drinking water. Nor do they have to wait a fortnight to receive just half their declared wages: contractors and petty clerks are suddenly sufficiently flush with funds to pay full wages once in two days, if not daily – and they are paid even for those days when they attend the correct election meetings. Jeep-loads of officials have been making frequent rounds of the hundreds of relief works, which have suddenly sprung up.

Indira Gandhi's determination to keep the initiative in her hands at the elections in this way stems not simply from the fact that she has had to bring forward the election date under duress. She has of course many scores to settle with Morarji whom she had relegated into the political backwaters since 1969. But a more important reason is than that, Gujarat will be something of a test-case for her party, in the historical context of the ruling party's experience here over the past five years. The prospects for the nationwide elections in 1976 will be affected by the performance in Gujarat.

Against the Congress (R) are arranged a range of opposition parties, under the leadership of Morarji Desai – himself an old hand in the game of parliamentary democracy. In addition, there is the smouldering fire of the agitation of 18 months ago. At that time, few hundred youths without an organised political base, and in defiance of repression by the police and para-military forces, had brought about the removal of the Chimanbhai Patel ministry even though the Congress(R) controlled 140 out of the 190 seats in the Assembly. This had happened about a year after the 'Indira wave' had swept the entire country. Indeed, after the Nav Nirman movement in Gujarat, the tide began to turn against Indira Congress all over the country. At the time of the Congress split earlier, in 1969, Gujarat Congressmen had opted for the Congress(O) under Hitendra Desai. His ministry had clung to power for almost a year until Indira's Congress under Chiman Patel had bought over defectors at exorbitant prices and spoils. Congress(O) finally lost its strength in Gujarat with the 1972 elections. Like Rajasthan, Andhra, West Bengal, Bihar, or UP, Gujarat was firmly kept under control by foisting Indira's own satrap — *viz*, Ganshyam *Oza* — without an independence political base, on the state government. Within a year, however, Chiman Patel, powerful in his own rights, ousted Oza. Indira Gandhi allowed Chiman to take over as CM, and managed to keep Congress in power. A measure of the stakes involved now for Indira Gandhi in the state elections is to be found in the fact that in a series of visits she is going to devote eleven full days touring almost every district of Gujarat.

There is another reason why such personal intervention on her part may be necessary. The hope that Morarji's autocratic and intransigent behaviour would antagonise the other anti-Congress forces – such as the splinter youth groups of the Nav Nirman movement, the pro-JP elements, and political parties like the BLD and Jan Sangh – has not come true. Five years of political wilderness have evidently changed Morarji. In the negotiations for the formation of joint 'Janata' front with pro-JP groups like Lok Sangha-

tana Samiti, Yuva Sangharsh Samiti, and established parties like Congress(O), BLD, Jan Sangh, and Socialists, Morarji has been a mellowed and effective politician. While ensuring that Congress(O) remains dominant in the Janata front and that JP personally is kept out of the decision-making, he skilfully ensured that no anti-Congress group is alienated. He has managed to include in the Janata front the Congress (O), Jan Sangh, Socialists, influential pro-JP groups, and some youth groups.

Even in his dealings with Kisan Mazdoor Lok Paksha (KMLP), Chimanbhai's new-found party with its base among the large and medium farmers, Morarji has been equally careful. Knowing full well that KMLP has an important following among the influential peasantry, Morarji put the onus of deciding KMLP's joining the Janata Morcha on Chimanbhai Patel himself. The condition he put to the latter was difficult for him to accept, and difficult for his followers to reject — *viz*, that the KMLP whose other leaders were respected in the rural areas could join the Janata front if Chiman himself did not contest the elections since he had been discredited as corrupt. The choice, so posed, had the effect of dividing the KMLP. One group, the Khedut Samaj, consisting of medium and rich farmers have declared their support for the Janata front. The split has halted the growing strength of the KMLP. Thus, Indira Gandhi's first calculation, that Morarji would be unable to bring together the anti-Congress forces under a common front, has proved quite incorrect.

Her other calculation, that the compulsions of the election contest with only a short campaign would force GPCC factions to come together, has also proved incorrect. In fact, the announcement of elections and the imminent scramble for tickets intensified the faction-fighting so much that the Congress High Command had to decide to keep all the first-rank leaders — Darji, Chia, Adani, Amul Desai, etc — out of the election fray! The GPCC has virtually no leader of its own to run the election campaigns. The Congress strength lies almost entirely on the twin pillars of Indira Gandhi's own charisma and influence, and its control of the enormous state patronage. The campaign organisation has to be run by a comparative outsider, V C Shukla.

However, the outcome of the elections is not so clear. The Janata front, which excluded the CPI, has candidates who are unimpressive for purposes of campaigning and must therefore depend heavily upon campaigning by the national opposition leaders of its various parties. The KMLP too is worse off in this respect. Chimanbhai banks mainly on the organisation of voters on caste and communal basis, and does not depend much on campaigning through public meetings. Instead, he concentrates on winning over local VIPs, gathering in money, transport, and on application of inducements and pressures on rural voters. However, in the past three years, a large majority of party politicians have been thoroughly discredited as careerist.

Attendance at election meetings — particularly in the rural areas — is dismal. The Nav Nirman movement, which rocked Gujarat a year ago, was confined to the cities and the towns. Corruption remains the main 'issue' in the minds of the urban middle-class voters, and ceiling and tenancy laws, relief works, water and grain supply remain very much the unresolved issues affecting the rural areas. The elections are hardly likely to touch the nub of either of these problems.

Excise Duties

Mindless Applications

THE oil crisis has affected the economics and the viability of a number of units in the petrochemicals field. Prices of many materials have shot up by anywhere between 300 per cent and 700 per cent. Very often, of course, this has been compensated for, in terms of the profitability of these units, by suitable increases in the selling prices of the finished products. At the same time, the excise duty on a number of petrochemical products has been increased. For example, the *ad valorem* excise duty on plastics has been revised upwards, from 35 per cent in 1973, to 56 per cent. The net result of this increase has been an increase in prices of most plastic materials, of between 83 per cent and 190 per cent. Thus, PVC prices were about Rs. 5,030 per tonne in mid-1973, including an excise duty of Rs. 1,330 per tonne. In August 1974, the ex-factory price of PVC was revised to Rs 6,000 per tonne and the excise duty was increased to Rs 3,360; the net effect was a price rise of 83 per cent to the consumer. Similarly, polystyrene, another plastic material, has had a price increase — including the increase in excise duty — of around 138 per cent. The increase in its ex-factory price was about 106 per cent, while the rise in excise duty was 230 per cent.

These higher prices have resulted in the demand for plastic products being depressed. Of the end-product manufacturing industries, the power cables industry, for instance, has been seriously hit because of low off-take by the State Electricity Boards. The footwear industry, beset with surplus capacity in any case, has also had to reckon with stiff consumer resistance, owing to the decline in the disposal incomes of the urban population.

Of course, another factor contributing to the condition of the industry is the structure of the industry. The industry consists of established units with diversified product ranges and employing conventional processes for manufacture — say of PVC — as well as of new units with high capitalisation and using modern petrochemical-based feedstocks. In today's depressed market conditions, these modern highly capitalised units have been very hard hit.

Elsewhere in the industrial field too, one witnesses similar problems. The tyre industry is a case in point. It comprises a group of established units with excellent profit margins — units which benefitted from the decontrol of tyre prices in April 1974. The new entrants to the industry, on the other hand, have had to undertake substantially higher capital investments with consequent high incidence of fixed charges in their total cost of production. The excise duty being the same in both cases, the profitability of the new units is considerably lower because of their high fixed charges.

There may be a case, therefore, for effecting some differentiation in the excise duty structure as it applies to the new units which have been set up.

The arbitrariness in the application of excise duty has been, in fact, blatant in more serious ways than this. The Venkatappiah Committee had indicated the numerous cases of, and ways in which, excise duty has been evaded by industries. Moreover, the rebate in excise duty, allowed on higher production as an incentive to increase production, has been known to be abused by several units simply by their successful fudging of production figures. At the same time, Government has connived with industry in adjusting the basis of excise duty to suit the profitability of units — as in the case of the sugar industry, which is known to pay its due *quid pro quo* to the ruling and for the benefit of which the notional 'tariff value' is thoughtfully altered to make the excise duty burden acceptable to the industry.

Calcutta Diary

A M

DON'T you read the newspapers, in this country fascism will not pass. All right-thinking people here are against fascism. A minister in West Bengal, famous for his plain-speaking, has gone to the length of admitting that, in order to save the country from fascism, he is prepared to make the ultimate sacrifice: he will himself turn into a full-fledged fascist — and suppress, by well known methods, those other fascists who dare denigrate the reign of Indira Gandhi; fascism shall not pass.

Fascism shall not pass, newspapers every day carry reports of meetings and conventions held in many parts of the country where the vanguards of democracy take stock of the situation, and warn the fascists: this far and no further. The collective conscience of the countrymen has been roused, fascism will not make any further advance. Different sections and groups are being mobilised: teachers, students, the working class, the peasantry, scientists, artisans, poets, you name them, they are all against fascism. Recently, in the capital, the lawyers chipped in. A boisterous gathering of the members of the legal profession declared themselves for ever against fascism and for democracy and progress. The Prime Minister addressed them. There were other joiners, including a former Chief Justice of the country, who is currently Chairman of the Law Commission, and a number of incumbent judges of the Supreme Court and the High Court at Delhi. Queue up, whoever is not for us is against us, whoever is not with us is a fascist. Fascism shall not pass. At the rate things are progressing, wait a while, very soon, progressive elements amongst the police personnel too will be organising a convention against fascism.

Baburam Ghosh Road is a little alley way down in Tollygunge on the southern fringes of Calcutta. It is indistinguishable from any other dirty lane in the city: slums, choked drains, stench of human and animal excreta, worn-out roads, non-existent pavements, rows and rows of dilapidated *pucca* houses crowding upon one another. Each such house is perhaps cut up into several dingy flats, dark, bereft of ventilation, lacking in basic sanitation facilities, an apology of an inner courtyard shared between a dozen families, perennially infested by termite and cockroaches. A handkerchief pressed against your nose, visit such an area if you want to know what the scourge of inflation has done to that ramshackle, moveable line of poverty economists talk of. The species of the lower middle residing in these houses are fighting a losing battle; as prices rise, but their wages are kept frozen by the kindly and sagacious government, they are, inch by inch, pushed toward malnutrition and starvation. It is their *kismet*, they have to put up with this phenomenon of progressive immiserisation. In the sixties, heads of such households, mostly clerks in government or mercantile firms, were often foolhardy enough to join the trade union movement and fight for higher wages. Now, since fascism shall not pass, they have been mostly silenced by the government's hired goons; they have also been told by learned people that any agitation on their part will be dirty 'economism', for, after all, they — they too — belong to the top 2 per cent of the privileged sections of this country's population.

After such knowledge, there could be no forgiveness for any stirring of discontent in the gloomy slum-houses on Baburam Ghosh Road. But, it is a funny business, life sprouts, despite the economists, even on Baburam Ghosh Road. Sadananda Roy Chowdhury, ancestry East Bengal, scion of a land-owning family, current assets reduced to just about the double-barrelled surname which testifies to the feudal lineage, is a tenant in one of these dingy, dark, claustrophobic tenements. Fiftyish, a clerk in the office of the Accountant General, West Bengal, he long ago learned to chop and prune his ambitions. A clerk is a clerk, he must not dream, he must meekly return home every evening, he must learn to wither away. Yet life sprouts. Sadananda Roy Chowdhury had a small family, wife, two teen-ager sons, Pradip and Prabir. They were bright, alert, sprightly children; malnutrition, and the general frustration of Bengali lower middle class existence, could not restrain them. Life sprouted. The boys grew up, did well in the examinations, were loved by the neighbours.

The boys grew up. The elder one, Pradip, secured, against hard competition, admission to the Bengal Engineering College at Sibpore. Prabir, the younger brother, did even better; on the basis of his performance in the higher secondary examination, he obtained a scholarship and a seat in the prestigious Presidency College. Sadananda and his wife had reason to feel grateful at the way things were turning up. A clerk must learn to trim his dreams; even so, both the sons were up-and-coming, and somehow life began to promise a radiant glow beyond what the petty sky of Baburam Ghosh Road could offer.

Right here, a kink developed. Your conscience is a product of your environment. Pradip and Prabir, bright, alert, meritorious, were not capable of disowning their milieu. Young people are not capable of flouting their passion. Social realities intervened, and the rest of the tale has a familiar ring, so much so that there is a danger of its being treated as part of a worn-out cliche. To cut the long story short, their academic pursuits were rudely interrupted, a little more than three years ago both the brothers were picked up by the police. Thus ended the curtailed dream of Sadananda Roy Chowdhury, upper division clerk in the office of AG, West Bengal. This did not however set him and his family apart. You soon have to give up the count, for, in case you go round run-down neighbourhoods and colonies in Calcutta and West Bengal's smaller towns, there must be thousands of middle class parents like Sadananda Roy Chowdhury and his wife, whose dreams have similarly been scuttled in mid-course. And, as our academic economists would say, there is a certain poetic justice in this; these wretched clerks, who conjure up rosy and prosperous careers for their offspring, are in fact indulging in a variant of 'economism', do not waste any pity on them, let history take its own course.

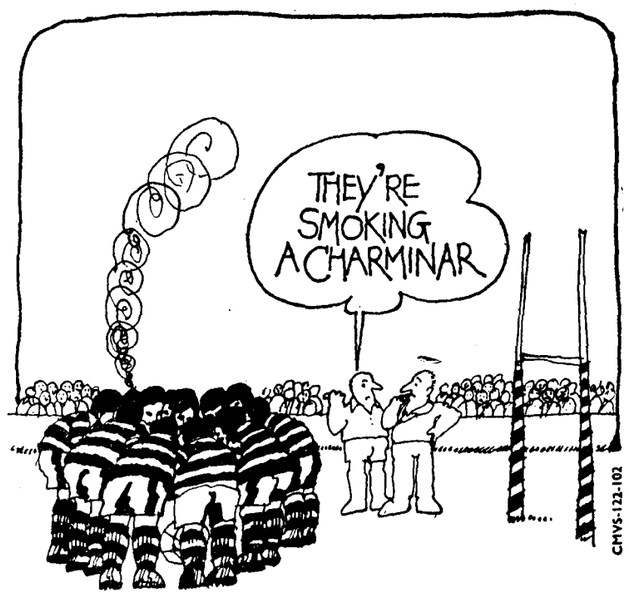
Yes, it is important to be objective, the instance of Pradip and Prabir was not *sui generis*, thousands and thousands of college-going young men have, during the past five years, been picked up by the police and detained without trial; otherwise the nation would not have been safe for democracy. Few amongst these young people have had charges pressed against them in open courts. So it was with Sadananda's

two children. In their case, the sequel was nonetheless slightly different, which is why this footnote becomes relevant, even if a wee bit tangentially. The elder brother, Pradip, died mysteriously in police custody shortly after he was arrested. He was being interrogated, for days on end, by the Special Branch of the state police; suddenly he passed away, reportedly because of heavy internal haemorrhage. Ask no questions of our patriotic police and you will be told no lies. Going by the gossip – no doubt subversive –, as part of the democratic process of interrogation, a solid wooden plank was placed across his body, and hefty specimens belonging to the Special Branch took their turn to mount the plank and dance a tarantula. They mounted for roughly half a dozen occasions, each occasion stretching to five minutes or near abouts. The police could have danced all night, but it was not necessary. Pradip's ribs as well as internal organs, according to the same gossip, were smashed to smithereens; he died. Some dances can be fatal.

Let bygones be bygones, Pradip Roy Chowdhury died accidentally while in the care of our progressive, anti-fascist government, but Sadananda and his wife had still that other child left, Prabir, the scholar at the Presidency College, who, after his arrest, had been lodged in the Presidency Jail, and of course there was no question of his ever being produced before a judge. A few weeks ago, along with some other prisoners, he was transferred to the jail in Howrah. And then it was the early morning of Saturday, May 3, the sun had yet to rise, the night soil was still piling up on Baburam Ghosh Road, there was a soft summer breeze, originating in the Bay of Bengal, wafting along the Hooghly river, some shots were fired inside the Howrah jail. Ask no questions, or otherwise you will be deemed a fascist. The government story is as invariant as ever; some of the 'extremist' prisoners had attacked the security guards and were trying to escape; the guards, in self-defence, were compelled to open fire; five of the prisoners were killed, including Prabir Roy Chowdhury. He was supposedly shot by the guards while trying to escape, but, check with those who have seen his body, there were bullet wounds visible on Prabir's temple, forehead, windpipe and stomach. And the body was swollen all over, indicating the likelihood of blows from regulation *lathis* having descended upon it with a fearsome intensity. Whether the *lathis* came down first or were preceded by the shots from the revolver is a riddle one may now try to solve at leisure. The solution however, will have little operational significance: either way, Prabir is dead.

But look at the brighter side of it. For Sadananda Roy Chowdhury and his wife, the ordeal is over, they will not have to worry about their children any more, both their sons are dead, having been most efficiently disposed of by the patriotic, high-minded government. The Lord giveth, and the government of the land taketh away, in a most sensible division of responsibilities. If you have children, children around whom you weave your dreams, children who are the cynosure of your eyes, children who are polite and brilliant and sensitive, just leave them in the safe custody of your law-abiding, law-enforcing, anti-fascist government, you will not see them any more, peace will descend upon earth.

Fascism shall not pass. Each day the news filters in of yet another convention of the *conscientious ones* against fascism. The Chairman of the National Law Commission, Justices of the Supreme Court and the Delhi High Court, they have stood up and been counted: they are against fascism, fascism shall not pass. But suppose Sadananda Roy Chowdhury's distraught wife takes a crowded train to the nation's capital, and, giving the slip to the guards and sentries, somehow manages to find her way to the chambers of these legal luminaries, who are against fascism. Suppose she lowers herself into a chair, and silently stares at them across the table. Would they – the guardians and upholders of the rule of law in this country –, would they be able to return her stare and, composure writ large on their faces, assure her that, never mind her two sons, fascism shall not pass? Would they?



A Very Indian Summer

Romesh Thapar

STATUSQUOISM breeds its own lethargy. We are in the summer season. So, when the ruling elite is not speculating on the quantum of rabi food coming into the market or the prospects for the monsoon, much time and energy are taken up arranging internal and foreign tours – of course, at someone else's expense. We need a research project every year to detail the members of the ruling elite who availed of others' hospitality to get away from the heat. It would sketch the outlines of another area of national dependence.

Well, that's exactly what's happening. If the Prime Minister is getting geared to an exhausting election campaign in Gujarat, most of her colleagues are busying themselves organising work in cooler climates, at home and abroad. Very soon, the Capital will be without the wretched news-makers, and only with the usual power cuts and water shortages. We have almost reached that point already. The newspapers are beginning to talk of other things.

Of course, the political diet cannot be abandoned altogether. Indira Gandhi's strange interference with Bahuguna in Uttar Pradesh has produced a veritable rash of reports about impending changes of chief ministerships in several states. The reports suggest that the Centre wishes to refresh and restructure the ruling party's operations in the states in this pre-election year. This is without a doubt unadulterated nonsense. Political instability in the states at this juncture would be difficult to control. However, the reports underline the general fear that Indira Gandhi is in fact taking this risk only to dislodge consolidated factions which might prove difficult in the allocation of election tickets at the end of this year.

The behind-the-scenes moves to save Bahuguna and to hold the Prime Minister's hand despite the proddings of the Tripathis are seen as significant developments, but Congressmen still doubt their ability to "discipline" the Prime Minister – yes, believe it or not, the word is being used, quietly, with a slurring over in emphasis. Meanwhile, the divided party heirarchy is not averse to allowing rumours and counter-rumours to spread despite the nearness of preparations for the general elections.

Presumably, this undercover game will continue until the results of the Gujarat election are registered. The failure of the Opposition strategy to arrange straight fights puts the odds in favour of a ruling Congress win – and without "allies". Such a win, even if it is based on split votes, will strengthen Indira Gandhi if she intends to give a "new face" (sic!) to the party in the states. An indecisive result would certainly have a sharply disruptionist impact.

Once again, the game of power in India has become an open question, a part of bazaar discussion. The cement which has held various alignments together is cracking. Rebel thoughts of Left and Right colouration are very much a part of our present-day political party scene. The mood which gave Jayaprakash Narayan and his "movement" a flashy, short-lived existence, persists, but it is like the rain clouds in summer. They gather and dissolve, gather and dissolve, because the catalyst is missing.

Indira Gandhi knows that she is no longer a catalyst. She may decide to become one again. That is possible in the vacuum of today. But, at the moment, all that emerges for urban public consumption is a "maha-manipulator" – that's the phrase that is used – who can draw circles around her enemies. It is an unfortunate image. It lacks the charismatic quality so essential to leadership in a country like ours. And if the rural masses begin to feel the same, then I am afraid there will be little left to manipulate.

The country is certainly up against a sizeable challenge. While the interrelated political and administrative crises are mounting as a result of the "style" popularised by the Prime Minister, the 'economic' paralysis which has overtaken industry and the money market is becoming a major concern for policy makers at the Centre. Something of the situation can be guaged at Yojana Bhavan. Here, P N Haksar presides. But the Planning Commission has yet to be re-constituted. Only then can we talk about its operations. It is incredible that this state of affairs can continue week after week. What is happening?

It is impossible to analyse or understand the general helplessness in the hierarchy of power. Everyone looks in silence at the Prime Minister, waiting for signals of some sort. Presumably, we are also to keep on waiting for as long as the lady decrees. There is no force to shake this summer siesta. A Congress failure in Gujarat would, but it doesn't look like maturing. Several other upsets are also possible in the coming months, but helplessness is founded on the belief that politically and economically the present will continue into the future whatever happens. Apparently, an alternative refuses to form. This is the ultimate in status-quoism.

May 19

FULCRUM

A monthly magazine of general interest

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The Trade Union movement in Dhanbad
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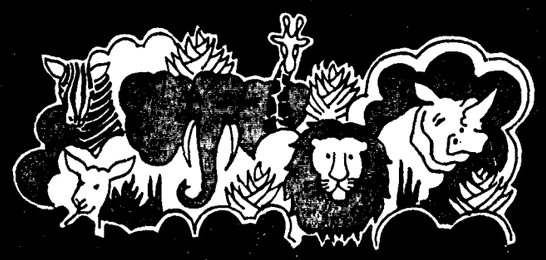
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Stalled Expansion

Hansavivek

CEAT TYRES OF INDIA achieved exports of Rs 229 lakhs last year against Rs 225 lakhs in the preceding year in spite of severe competition in world markets and pressure of domestic demand which restricted exports to some extent. The company's products entered the new markets of Hong Kong, Switzerland, Italy and Yemen. The directors point out that due to recession in developed countries, demand for tyres there has diminished considerably and tyre manufacturers in those countries have now started exporting and are finding ready markets in countries to which India has been exporting. On account of the lower prices at which they obtain their raw materials, particularly rubber and rayon and nylon tyrecord fabric, manufacturers in the developed countries are able to out-price Indian products to the extent of 25 to 30 per cent. As an illustration, it is stated that the prevailing c i f price of indigenous natural rubber is nearly 100 per cent higher than the world market price. The directors suggest that in the interests of exports Indian manufacturers be permitted to import raw materials at international prices as an export incentive.

The company has produced very good results for 1974 in spite of a 75-day strike, steep increases in costs of raw materials, restrictions on the use of power and inflationary conditions leading to credit squeeze and enhancement of rates of interest by banks. These adverse factors were more than offset by decontrol of prices of automotive tyres and tubes towards the end of April last year. In anticipation of a change in the dividend restrictions, the directors have proposed maintenance of equity dividend at 16 per cent; otherwise they would have recommended a dividend not exceeding 10.8 per cent. The terms of the agreement entered into by the company with its foreign collaborator, Ceat International, in 1968 for six years were substantially modified by the Government of India. The collaborator suggested some minor modifications in the revised terms, for which government approval is awaited. The reimbursement of the technical expenses incurred by the collaborator since 1968, and shown as outstanding at about Rs 137 lakhs as at the end of 1973, will stand substantially reduced, when the agreement on the revised terms is signed.

The company complains that in spite of its following up the matter very closely, the industrial licence for effecting an expansion of 1.6 lakh automotive tyres and tubes per annum at the Bhandup factory has not yet been issued. At the instance of the Government of India, the company has taken up an immediate expansion of scooter tyre production by 75 per cent. This expansion is estimated to cost Rs 12 lakhs, and production at the expanded capacity is expected to commence in the third quarter of this year. Production at the bicycle tyre plant is expected to reach the licensed capacity of

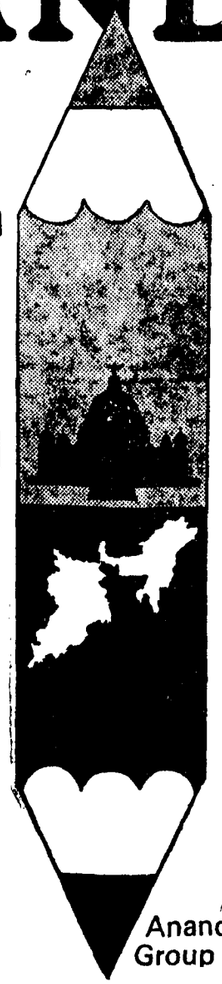
The Week's Companies

(Rs in Lakhs)

	Ceat Tyres		Cochin Refineries		Empire Dyeing		Swan Mills	
	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 31-8-74	Last Year 31-8-73	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 31-12-74	Last Year 31-12-73
Paid-up capital	390	390	700	700	67	67	96	80
Reserves	626	569	629	553	327	292	137	142
Borrowings	355	291	1556	1874	359	302	290	224
of which Term borrowings	151	176	1012	1195	—	—	51	48
Gross fixed assets	1242	1056	3214	3182	538	466	490	444
Net fixed assets	662	650	1836	2005	315	281	189	170
Investments	—	—	2	2	—	—	7	1
Current liabilities	922	543	3298	823	408	213	205	111
Current assets	1630	1142	3742	1935	846	593	531	386
Stocks	884	737	2448	908	398	237	385	274
Book debts	423	268	1282	1021	428	250	144	100
Net sales	3270	2284	12362	3788	1560	1023	727	631
Other income	45	48	89	18	50	79	123	68
Raw material costs	2273	1543	12055	2829	990	654	310	215
Wages	304	245	77	66	335	237	209	169
Interest	53	43	125	72	36	37	43	24
Gross profit (+)/loss(—)	359	233	—301	180	98	84	61	61
Depreciation provision	88	75	201	176	38	37	22	18
Tax provision	152	68	—	—	11	—	13	18
Net profit (+)/loss(—)	119	90	—502	4	49	47	26	25
Development rebate provision	11	14	—	—	6	6	7	6
Transfer to reserves	46	14	—	—	35	28	14	5
Dividend								
Amount	E 62	62	—	—	E 8	13	E 5	14
Rate (per cent)	E 16	16	—	—	E 12	20	E 5	15
Cover (times)	1.74	1.22	—	—	5.37	3.15	3.80	1.28
Ratios (per cent)								
Gross profit/sales	10.98	10.20	—	4.75	6.28	8.21	8.39	9.66
Net profit/capital employed	8.68	7.20	—	0.13	6.51	7.12	4.97	5.60
Inventories/sales	27.03	32.70	11.71	26.08	25.51	23.16	52.95	43.42
Wages/sales	9.30	10.72	0.62	2.33	21.47	23.16	28.75	26.78

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20 lakh tyres per annum by the end of 1975. Trial production of off-the-road tyres is now expected to commence soon. The delay in this project occurred due to late arrival of machinery from UK.

COCHIN REFINERIES has turned out disappointing results for the year ended August 1974, with a net loss of Rs 502 lakhs against a profit of Rs 4 lakhs in the year before. After taking into account the loss brought forward from the previous year (Rs 7 lakhs), prior period adjustments (Rs 17 lakhs) and development rebate provided for the year (Rs 76 lakhs), the total loss carried to the balance sheet amounted to Rs 602 lakhs. This outcome has not occurred unexpectedly; it was anticipated in the year before when the impact of the sharp rise in crude oil prices began to be felt. The directors find it difficult to forecast with any certainty how long it would take the company to recover the loss sustained last year. They are hopeful, however, that if no major upsets occur either in respect of price or availability of crude, the current year will end on a promising note. Moreover, they expect that the decisions on the recommendations of the oil prices committee will provide some financial relief during the current year.

Reviewing the working during 1973-74, the directors say that the refinery processed 2,391,728 tonnes of crude oil, as against 2,015,578 tonnes during 1972-73, averaging 48,310 barrels per day. The company exported 57,609 tonnes of petroleum products of the value of Rs 2 crores. The crude unit was shut down for a total of about 50 days during the year. From January 1, 1974, crude oil supply for the refinery was arranged by Government of India with some of the oil producing countries of the Middle East. The high price of crude and the limited foreign exchange resources restricted the quantam of crude imported for refining in India. The company's share of crude was also thus below that necessary to run the refinery at its expanded capacity of 3.3 million tonnes. The crude that was processed was basically different from the light Iranian Aghajari crude, for processing which the plant was primarily designed. There were, therefore, difficulties in manufacturing products adjusted to requirements.

EMPIRE DYEING, which started 75 years ago as a textile processing house, has diversified into other fields such as manufacture of glass containers, venetian tiles, EOT cranes, pressure vessels, heat exchangers, distillation columns, textile machines, welding positioners and rotary vacuum filters for the sugar and paper industries. It is also an 'export house' dealing mainly with textiles and ready-made garments, light engineering, building materials and food products. Its name is proposed to be changed to 'Empire Industries' as its present name does not correctly reflect the scope of its activities.

The company has shown further growth of sales and profits, although the latter have not kept pace with the former owing to all-round rise in costs. The directors have proposed a dividend of 12 per cent against 20 per cent paid last year, but they have made known their intention to step it up to the last year's level if the dividend legislation is amended before the date of the forthcoming annual general meeting. The company has been engaged in modernisation of the plant and machinery of the textile division. It has on hand projects for the installation of a rotary screen printing plant, expansion of the synthetic fabrics processing unit and enlargement of bleaching and mercerising capacity. The expansion project of the vitrum glass division, estimated to involve an expenditure of Rs 280 lakhs on fixed assets alone, has been behind schedule by about a year owing to the difficult and tight money conditions. The company is negotiating with some financial institutions and insurance companies for placing privately debentures of Rs two crores for this project. The directors expect that production from the expansion project would be available in the second quarter of next year. Export sales doubled last year, but it is felt that the company will have to face severe competition this year on account of recessionary trends in the world markets.

SWAN MILLS, which experienced a sharp contraction of margins last year and is slashing dividend from 15 per cent to 5 per cent, has been facing unfavourable conditions in the current year too. The directors say that the company started the year with a gloomy outlook for the textile market and severe curtailment of production due to a 26 per cent power-cut. With the power-cut increased to 50 per cent, the cost of production has further gone up and the market is unable to bear any increase in selling prices. Offtake of cloth during January to April, a traditionally busy season for fine and superfine varieties of cloth, has been comparatively slow. The directors find it difficult to make any fair assessment of the current year's outlook and feel that prospects as a whole depend upon several imponderables like the power situation, government fiscal policies and the overall economic situation.

During 1974, Swan's net sales rose from Rs 631 lakhs to Rs 727 lakhs, but its gross profit was unchanged at Rs 61 lakhs. Considering, however, that the 1973 figure was arrived at after providing Rs 17 lakhs for gratuity, for which no provision has been made in the accounts for the latest year, the profit is considerably lower in 1974. That year in fact began with a 41-day industry-wide strike, which ended after a wage revision agreement that enhanced the wage bill. Since the fourth quarter of the year, there has been a general depression in the market resulting in heavy accumulation of stocks. It is stated that liquidation of such stocks at a much lower price along with the rebates allowed to settle earlier contracts resulted in "severe losses" during that quarter. There has also been a general recession of demand in the international textiles markets since the latter half of 1974, resulting in a considerable decline in exports.

OTIS ELEVATOR COMPANY (INDIA), which made a public issue of 2.25 lakh equity shares, of Rs 10 each, at a premium of Rs 10 per share, has closed the subscription list on May 14 as the issue has been oversubscribed. The list opened on May 7. The issue was managed by the merchant banking division of ICICI.

SPECIALITY PAPERS stepped up its production from 1,040 to 1,661 tonnes during the year ended September 1974. Higher production and better sales realisation lifted sales from Rs 35 lakhs to Rs 93 lakhs and gross profit expanded from a mere Rs 2 lakhs to Rs 21 lakhs. No provision has been made for depreciation or development rebate reserve, and the entire profit has been utilised to reduce the accumulated deficit to about Rs 18 lakhs. The pulping unit is to be commissioned very shortly. Meanwhile, the management is finalising the project report in respect of the second phase of expansion aimed at raising capacity to 3,600 tonnes per annum.

NEW DELHI

Scuttling the Hathi Report

B M

THE government is in a dilemma of its own making over the Hathi Committee's report on the drug industry. Furious lobbying had preceded, and has followed, the submission of the report. The pharmaceutical industry — especially the powerful foreign sector of it — clearly has its interests at stake here. But more significant has been the hectic activity inspired by the administrative ministry itself, over the report.

After K R Ganesh became Minister of State in the Ministry of Petroleum and Chemicals, a big campaign had been mounted in the closing stages of the Hathi Committee's investigative work in favour of a radical restructuring of the drugs and pharmaceuticals industry. It was aimed at eliminating, or at least severely limiting, the role of the foreign drug companies and at promoting the public sector to a commanding position within a short span of time. The campaign evidently considerably influenced the work of the Hathi Committee whose final recommendations seemed to take cognisance of it.

But the direction of the ministry's activity since then has been different. The government wanted to put away the report in its own safe-keeping and to deal with it at leisure. However, the wide publicity the report had received even before its release, as well as the campaign in favour of the restructuring of the industry, made this impossible. When demand for the report was voiced by some MPs, it had to be placed before Parliament. But K D Malaviya intervened, politically, at this stage.

His concern has clearly been with letting matters cool. When the issue came up again in Parliament, on May 5, he pleaded that consideration of the Hathi Committee's report be deferred to the next session of Parliament, as that would give the government time meanwhile to examine the report and to study its implications. He also refused to stake general support for any of the Committee's recommendations. Instead, he fudged issues by recommending careful consideration of *all* aspects of the report, on the by-now hackneyed argument used in favour of all industries — *viz*, that "we may not feel any shortage of essential drugs in the name of this idea or that idea". He argued vaguely for a 'healthy balance' between the three sectors of the industry — *viz*, the public sector, the Indian private sector, and the foreign sector.

The larger issues, of restructuring the industry and the whole of the health and medical care set-up in the country — which are encompassed in the recommendations of the Hathi Committee — will thus have to wait a long time for consideration by the government. And the government is known to possess all the arts of prolonging such an exercise without ever committing itself to any worthwhile decisions.

Meanwhile, the practical problems that have to be tackled remain. In the absence of any general line, these will no doubt be resolved in an *ad hoc* manner, favourable to the industry. What, for instance, is to be done about the price control on drugs, and about the expansion of the industry particularly in the foreign sector? The government had deferred decisions on these for a year-and-a-half, ostensibly because it was awaiting the Hathi Committee report. Now, since the Hathi Committee's recommendations are in, though not palatable, it may be easier to take 'interim' decisions while the report is being officially 'considered'.

Here, the foreign drug companies are already influencing the direction of the decisions by taking a tough stand. While Press and Parliament will discuss the Hathi Committee's policy recommendations for total or partial take-over of these companies, the foreign companies have been actively lobbying for the issue of new licences for their expansions. Twelve applications for substantial expansion are in fact pending with the government; the drug firms seem confident that all these will be cleared in due course.

An important recommendation of the Hathi Committee is that the foreign companies should be obliged to shift their operations, from the highly profitable manufacture of costly formulations using basic drugs imported from their principals abroad, to manufacture of basic drugs *within* the country. Another major recommendation is that these firms should be obliged to share 50 per cent of their production of basic drugs with the Indian companies for making of formulations. The foreign companies have, however, made it clear that, while they are willing to expand production of basic drugs once their licence applications are cleared, they have no intention whatever of sharing any part of such production with the Indian companies.

The foreign companies have, of course, no objections to abandoning the present formula, fixed in 1970, of stipulating prices and profits on the basis of sales turnover. They view more favourably the proposition, under consideration of the Bureau of Industrial Costs and Prices, that prices should be fixed such as to secure for the drug manufacturers a 'reasonable' profit-after-tax, calculated as a percentage of equity plus reserves. This would indeed improve, rather than depress, their profitability.

The foreign drug companies appear quite confident that they will have their way. The statement, by Malaviya, that there was need to avoid shortages in essential drugs, underpins this confidence. If production is to be doubled by 1979-80, investment of Rs 250 crores will be necessary. Resources of this order can be found only with the foreign companies. The Indian companies are believed to be passing through difficult times and do not have adequate reserves to undertake major expansions. Nor is the public sector comfortably placed. The Ministry plans an investment of about Rs 78 crores for expansions of IDPL and HAL. The Planning Commission itself is unable to provide more than Rs 42 crores. Concrete plans for expansion are themselves very modest, and investment of only Rs 4.3 crores has so far been cleared by the Public Investments Board. The technology gap is another hurdle in the way of the public sector programmes. The team which went round foreign countries last year, in search for import of technology, found that it was not so easily available.

The foreign companies, on the other hand, are willing to bring in capital from abroad in addition to their reserves here. Ironically, they are also in a much better position to raise additional capital within the Indian market. Besides, they have technology ready at hand to make a quick job of raising

production capacity and delivering goods. They are even willing to dilute the foreign equity to the extent required of them. Some of the companies have even offered to arrange horizontal transfer of their technology to IDPL and HAL for some lines of production. Both kinds of readiness are obviously part of a *quid pro quo*. With nearly 60 per cent of the production of basic drugs and formulations in the country controlled by foreign companies, there is in the circumstances only a remote chance of this proportion being reduced significantly in the foreseeable future and thus of any policy changes.

Development of Indian Sector in Drug Industry

The Third Term of reference of the Hathi Committee called upon the Committee to make recommendations for promoting the rapid growth of the drugs industry, particularly of the Indian and the small-scale sector of the industry, taking into account the need for a balanced dispersal of the industry. The recommendations of the Committee in this regard are summarised below:

The Committee recommends that the restrictions stated to have been imposed on the industry requiring the units having a turnover of Rs 2 crores and more to produce the bulk drugs required for new formulation, should be removed for the Indian sector, and the foreign companies which have been producing formulations based on imported bulk drugs, should be made to manufacture the bulk drugs within a specified period.

As regards the Indian sector of the industry, more liberal policy is necessary to encourage the Indian companies to make their contribution to the production of bulk drugs and formulations.

The Indian sector should maintain an effective dialogue with the medical profession regarding their products.

To encourage the Indian sector to take up the manufacture of bulk drugs, Government should impose ban on the import of such items, as and when it comes to the notice of Government. Expeditious decision should be taken by Government in this regard.

Highest priority has to be accorded to centrally-directed research aimed at discovering newer drugs for the treatment of tropical diseases like malaria, filaria, etc. Side by side, research for new drugs in the treatment of diseases of the cardio-vascular system, metabolic disorders, etc, as well as for anti-conceptive purposes, need to be accelerated.

Besides making the country self-sufficient in regard to drugs, medical service of rudimentary nature in the remote villages should be introduced, where common household remedies for cough, cold, fever, antacid preparations, etc, should be made available in pilfer-proof packings sufficient to meet 3-4 days treatment.

The Committee feels that in our anxiety to produce more drugs, we should not adopt a policy which places the Indian manufacturers at a disadvantage. On the contrary, if the choice were between the foreign companies and the Indian companies, encouragement should be given to the Indian companies which are technically competent.

The Committee suggests that the potentiality of foreign companies to exploit their names and smother the development of Indian sector of the industry should be blunted and a more purposeful and positive policy to help the Indian sector should be simultaneously implemented.

The Committee recommended by a majority view that the multi-national firms should be taken over forthwith.

The Committee recommends that having regard to the present stage of development of the drug industry, for the purpose of FERA guidelines, this industry should not be eligible for the preferential treatment given to items specified in Appendix I of the Industrial Licensing Policy of 1973. Foreign undertakings operating in this country should be directed to bring down their equity to 40 per cent forthwith and further reduce it progressively to 25 per cent. This, however, is without prejudice to other concessions to which they are eligible as a result of the industry being in Appendix I of the Industrial Licensing Policy of 1973. The Committee would further recommend that dilution of foreign equity should not take the form of dispersed holdings of the shares by large number of Indian nationals. It would be desirable for Government to purchase these shares either by public sector undertakings which are directly or indirectly connected with the manufacture of drugs/chemicals/or by public financial institutions or by Government itself.

The companies who are producing bulk drugs in excess of their licensed capacities, should be made to part with 50 per cent of their production beyond their licensed capacity, in addition to 50 per cent of their authorised production.

Those who are producing in accordance with the specified capacities should be made to part with 50 per cent of their production to non-associated formulators. In regard to new drugs which are developed as a result of research carried out in this country, there is no need to impose such a condition. This will automatically negative the Government Notification No 3(3)/65-Ch III dated the 29th May, 1969.

Wherever manufacture of bulk drugs is carried on from penultimate stage, the companies concerned should be directed to manufacture the drug from basic stage within a period of two years.

In regard to the capacities approved for the manufacture of bulk drugs against permission letters and c o b licences, the Committee recommends that having regard to the national need for bulk drugs, the permission letters and c o b licences issued to such firms, may be regularised on the condition that:

(a) all bulk drugs are manufactured from the basic stages; and
(b) 50 per cent of the production of basic drugs should be made available to non-associated Indian formulators.

So far as formulations covered by Permission Letters/c o b Licences are concerned, in order that there may not be a gap between production and market demand thereby creating a shortage in the market, the Indian firms applying for the manufacture of such formulations should be given licences liberally forthwith and the foreign firms should be asked to switch over within one year to the manufacture of bulk drugs and formulations to the extent of 50 per cent of the production of basic drugs by them, and the balance 50 per cent to be supplied to non-associated formulators.

In regard to bulk drugs for which no capacities have been fixed in the c o b licences, capacities should be pegged at the level of production achieved in 1973. Likewise, the capacities of all formulations should be fixed.

In regard to formulations for which combined capacities have been fixed, the capacity for each formulation should be specified separately. Wherever demand warrants, the firms may be permitted to expand their capacity by 15 per cent, if needed in national interest.

Where foreign undertakings are producing in India drug formulations using imported bulk drugs, they should start and complete manufacture from the basic stage within a period of three years, failing which they should not be allowed to continue marketing the formulations after the said period. If, however, the manufacture of such bulk drugs have been assigned to the public sector units, their manufacture should be taken up by the public sector. All research talents available in the academic institutions and the national laboratories should be mobilised and work on the production of bulk drugs on a time-bound programme should be undertaken. If for some reason, the public sector undertakings are not in a position to take up the manufacture of the bulk drugs, the Indian sector of the industry should be offered the second choice, who, in turn, should take up this work on a time-bound programme.

Indian drug manufacturers who are already engaged in the manufacture of the bulk drugs, identified by the Task Force, up to 10 per cent of their local turnover should be freely allowed to make all drugs formulations, subject to their therapeutic rationale being accepted by the Drug Control authorities.

Foreign companies which are already engaged in the manufacture of household remedies such as alcohol-based tonics, vitamin preparations, etc, should not be granted any expansion in capacity, nor should they be allowed to take up such activity as additional items hereafter, nor be allowed to manufacture such items beyond the capacity mentioned in the Industrial Licence or application for registration.

The Committee suggests that penal action should be taken against branches of foreign companies or 100 per cent foreign equity holding units, manufacturing drugs without Government authority (valid licence).

The Committee suggests that the NDA should review the norms for payment of research contribution, technical knowhow fees, etc, by foreign companies.

The Committee recommends that a suitable machinery should be evolved to check that the conditions imposed in industrial and other licences are fulfilled by foreign firms before remittances abroad are permitted.

The small-scale sector should be a prohibited area for foreign companies.

The Committee recommends that excise duty should be levied on drugs sample distributed by manufacturers. All expenditure incurred on samples by drug manufacturers should not be deemed to be business expenditure for purposes of corporate taxation. Supply of samples may however be permitted, as at present, for the first three years from the date of introduction of a product for the first time by an Indian company.

The Committee appreciates the importance of educating the people residing in rural areas about the use of household remedies, and advertisements of drugs may have to be permitted to serve this limited need.

The prices of imported bulk drugs, intermediates and raw materials should be screened by the NDA and wherever there are reasons to doubt that they are excessive, the prices should be brought down. If the directions issued by Government in this connection are not complied with by the companies, the latter should be taken over by Government.

The NDA should look into the cases of all unimplemented licences, including those involving basic manufacture of bulk drugs in a phased manner, and should suggest necessary action.

Trade Marks registered in India by foreign firms for formulations should not be permitted to be renewed if similar formulations are processed in India by Indian firms. The provisions of the Trade and Merchandise Marks Act should be examined in this connection.

In regard to allotment of raw materials to Indian sector, the Committee recommends that liberal allocations of raw materials for essential new formulations and to new units should be made.

Indian firms should be given special consideration in matters relating to exports, as follows:

(a) wholly Indian companies should be exempted from the export obligation as applicable presently; and

(b) additional incentives like extra foreign exchange for import of raw materials and components should be provided in case they export their products.

The monetary limit for investment in plant and machinery for a small unit in the drug industry should be raised to Rs 20 lakhs.

The NDA should took into the difficulties experienced by the small-scale sector in obtaining import licences for machinery and equipment and a satisfactory solution be found. The Committee also wishes to point out that the recommendations made by a Committee appointed by the Ministry of Petroleum and Chemicals soon after the price control measures over drugs were introduced to help the small-scale sector of the industry, should be implemented expeditiously.

Small-scale manufacturers producing bulk drugs should be advised by the State Drug Control Authority to register their production capacities with DGTD, Drug Controller (India), and the Ministry of Petroleum and Chemicals. Registration of capacities should be done on the basis of the information supplied by manufacturers through the State Drug Control authorities regarding their potential capacity of production. The level of production achieved, the raw materials required for manufacture, the specifications of the drug and their sale prices. The capacities for production as registered should be taken into account by Government while granting industrial licences.

The NDA should maintain a comprehensive Drug Information Service in respect of the items mentioned in para 42.

The Committee recommends that a subject indeed should be prepared immediately and maintained by the Patent Controller's office, regarding the pending applications to guide the intending entrepreneurs who after inspecting the same could decide the course of action themselves. It should also be helpful if the Patents Office brings out a list of patent applications which are rejected after examination by that office. The Committee would also recommend that whenever an Indian entrepreneur has set up any basic production within a certain specified period which might infringe on the coverage claimed in the pending applications, a suitable solution should be found out whereby the concerned entrepreneurs could continue with their manufacturing operations.

Whenever foreign companies apply for manufacture of bulk drugs, Government should issue a notice about the application and its terms and ask the Indian companies and the public sector works to inform within a period of two months, whether they can take up the manufacture of such drugs. The applications should be considered in the light of the replies received from Indian companies and the public sector units. This, however, will not apply to applications received for bulk drugs manufactured in accordance with the recommendations made in para 24.

A special cell should be established in the NDA to process the representations received from the drug industry in connection with the availability of raw materials, solvents, etc, from indigenous sources. NDA should look into this problem expeditiously in consultation with the various agencies involved.

The Government should keep medical profession in touch with the policies and concepts on the development of the drug industry. For this purpose, NDA should have a top level committee consisting of the representatives of the medical profession, Ministry of Health, various sectors of the drug industry and State Drug Controllers.

Export of basic chemicals, solvents and bulk drugs which we import or are deficient in, should not be allowed.

Indian Council of Medical Research should concentrate its attention particularly on the discovery of the newer drugs for tropical diseases. NDA should be assigned the supervisory task in this regard. The Committee endorses the recommendations of the Task Force on the subject.

NDA should screen the import of technology required by the drugs industry. The import of important drugs having low-volume turnover, like anti-cancer drugs, should be allowed for a period of 2 years. At the end of two years, if the sales value exceeds Rs 10 lakhs, the concerned unit should be permitted to undertake the bulk manufacture of the drug, on payment of royalty upto 5 per cent on net sales realisation of the finished products, i e, sale value minus excise duty and trade commission. Export obligations need not be imposed in such cases.

Considering the vastness of the country, dispersal of the industry is essential. Within states, the industry should not be allowed to concentrate in or around towns and cities. States should provide sufficient incentives to the industry and help them to develop in the backward regions where the basic facilities are available.

State Governments should enlist the support of drug manufacturers, leading organic chemists, botanists, etc, and make a survey of the raw materials, plant products, animal products, solvents, etc, that are available in their regions. States should also publish brochures setting forth the raw material position and the facilities and concessions that prospective manufacturers can hope to receive. They should also form joint sector ventures in collaboration with well established companies or technical entrepreneurs. West Bengal offers good scope for development of phyto-chemical industry in that state in the joint sector. Joint sector ventures should also be set up for the manufacture of glass containers, tubings for ampoules and other packing materials like aluminium foils, etc.

In view of the soaring prices and inadequate availability position of petroleum-based chemicals, greater attention should be paid on coal carbonisation, as abundant supplies of coal are available in the country. The coal carbonisation complex situated in Durgapur has already been developed to a certain stage and its potentiality should be explored fully by the Central Government. Similarly the coal reserves in Maharashtra and Andhra Pradesh should be utilised and coal carbonisation complexes be developed in these regions. The Committee would urge on the State Governments and Central Government to give serious consideration to the development and utilisation of these coal resources.

Uninterrupted supplies of electric power and abundant supply of water should be ensured to the drug industry.

Our recommendations for regularising production by foreign units in excess of their licensed capacity is subject to the overall condition that this should only be allowed if Indian sector or the public sector is not manufacturing this or there is no scope of it being manufactured in the near future.

ASSAM

Man-Made Famine

Prabir Baishya

ON OCTOBER 31, 1974, was completed one year of the official take-over of wholesale trade of rice and paddy in Assam. It was a year of severe food shortage in the state. Official estimates are that 500 people died of starvation. But this is something of an understatement. Non-official sources claim that more like 5,000 died of starvation in the state in 1974. The number of destitute camps, run by government and non-government organisations, in the Dhubri sub-division of Goalpara district and the Barpeta sub-division of Kamrup district, are pointers to the critical food situation in the state.

Famine or near-famine conditions prevailed in the rural areas, not because of insufficient food production but because of lack of purchasing power among the people. By official estimate itself, 75 per cent of the people in this state in a normal year live below the poverty line. It was this major segment of the population that was hardest hit by the high prices. While the issue price of rice was around Rs 155 per quintal, the market price of rice was Rs 350 per quintal. According to the Directorate of Economics and Statistics of Assam, the consumer price index of rice was higher by 65 per cent in September 1974 as compared to September 1973; that of atta had recorded a rise of 99 per cent over the same period. Rice is the staple food in Assam, and the sharp price increase was ironically a consequence of the state's take-over of wholesale trade — which failed.

When the government took over rice trade in Assam, it had promised the elimination of 663 private wholesale dealers in paddy and rice and the replacement of them by 663 wholesale co-operative societies at the panchayat level. Side by side with the nationalisation of wholesale trade, and to fulfil the procurement target of 24 lakh quintals of paddy, the government imposed restrictions on inter-zonal movements of rice and paddy of over 2.5 quintals at a time. At the same time, orders were issued to form the 663 wholesale co-operative societies at the panchayat level. But there was inadequate administrative follow-up. Though the harvesting period ended in the second week of January, only 94 co-operatives had been formed by as late as the end of March 1974. What is more, since there was a time-lag between the formation and functioning of the co-operatives, most of them were unable to start lifting even a few quintals of rice — leave alone replace the private traders. Similarly, the Department of Supplies failed to effect timely releases of the paddy procured and milled, through the existing fair price shops and consumers' co-operatives. With restrictions on movements on the one hand and failure of the public distribution system to meet consumer needs on the other, there was a scramble for rice and paddy in the deficit areas and a steep escalation of their prices month after month, way beyond the reach of the ordinary people — till they reached a peak in September. The five successive floods had also aggravated the situation.

The quantity of rice available for public distribution depends on the procurement of paddy within the state and the import managed from outside of the state. While the target of procurement in the state, through the Food Corporation of India (FCI) and the Assam Apex Co-operative Marketing Society, was 24 lakh quintals of paddy, actual procurement was only 17 lakh quintals — which yielded about 12 lakh quintals of rice. This was hardly sufficient to meet even one-tenth of the needs of the approximately 80 lakh buyers — comprising the urban population, the tea-garden labourers, the agricultural labourers and tenants, and the marginal farmers. The last two groups, though they sell a part of their produce during the harvesting period, themselves become buyers of foodgrains for about six months of the year.

As procurement was insufficient, the government had no alternative but to allot just 750 gm of rice per head per week in the urban areas, and even this was later reduced to 500 gm. From July, this quantity too could not be maintained. The government could also not maintain the price of the rice imported from Punjab. Towards the end of August, only one quota of ration was distributed at a subsidised price; and after some more time, the subsidy was altogether removed. Instead, imported Basmati rice was offered in the market at Rs 350 quintal! Throughout this period, the rural areas were neglected by the public distribution system, the fate of the rural buyers depending on the tender mercies of the village traders. In time, urban as well as rural consumers, were therefore forced to depend on the 'open market' rice sold by the 'eliminated' private traders at Rs 3.50 per kg. Of course, those who could not afford such a high price starved — and thousands died. Yet, never was there any shortage of 'open market' rice at dizzy heights of prices. Even the consumer co-operatives could lift truckloads of open market rice with the due movement permit, if they had the money!

Where did this rice come from? Local consumer co-operatives made it known that mill-owners in the surplus areas could supply any quantity of rice, provided they were asked in advance and were paid what they asked for. Clearly, there was large-scale hoarding by the 'eliminated' traders; newspaper reports had it that even as people starved in Assam smuggling of paddy and rice to the neighbourning states and countries, where the purchasing power is greater, continued unabated.

The marketed surplus of paddy within the state is a pointer to the extent of hoarding, smuggling, and black-marketing. Under cover of the extended 5 quintals of free movement allowed, much rice and paddy was exported. Production of paddy in the last crop year was 350 lakh quintals — sufficient to feed the state's population of about 15 million —, yet, the estimated marketed surplus, at 55 per cent of the produce, was just about 150 lakh quintals. Of this, the government procured only 17 lakh quintals — i e, less than one-tenth. Thus, more than 160 lakh quintals of paddy remained in the hands of the traders for hoarding, speculation, and black-marketing! Indeed, the straightforward procurement drive of two years earlier had gathered in 30 lakh quintals of paddy. Although production was also much less in 1974 than in that year, the real factors that killed off or famished the people in the state were: the setting up of 663 wholesale co-operatives merely on paper to replace the 663 private traders, the utter indifference of the government to the activities of the hoarders and smugglers, and the poverty base of the population.

The food policy of the government in the current year also lacks credibi-

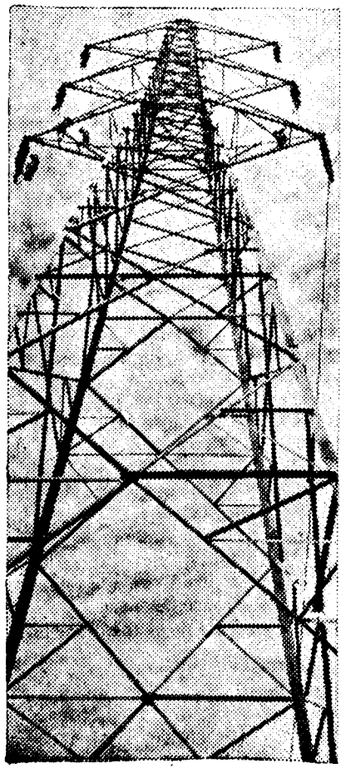
lity. The government proposes to procure 21 lakh quintals of paddy at Rs 75 per quintal. Movement of paddy and rice outside the 12 food zones in the state has been banned. A levy is also to be imposed on farmers cultivating more than 20 bighas (about 7 acres) of land. Milling of rice by the mills has also been officially ended. These two steps have been taken to facilitate the procurement of paddy by the FCI and the Assam Apex Marketing Society (the two government agencies) and the newly formed wholesale co-operative societies (as sub-agents of the two official agencies).

But no measures have been taken to ensure a regular supply of rice to the urban and the deficit rural areas. Movement restrictions and closure of rice-milling have, no doubt, brought down the prices of paddy and of rice in the surplus areas during the harvesting period, but it has also caused an upward trend in prices in the urban and deficit rural areas, where the government has been unable to supply a single ounce of rice in December and consumers found it difficult to obtain their daily requirements from even the open market.

The procurement price of paddy, being far below its market price, even two-thirds of the procurement target of 21 lakh quintals is unlikely to be fulfilled. A few days before the end of the harvest, by the end of December, procurement was 5.60 lakh quintals — as against 8 lakh quintals in the corresponding period of 1973. Reports had it that agents of the big traders had already booked the surplus of the medium cultivators at prices higher than the procurement price, whereas the big cultivators anticipating still higher prices had withheld their grains. The government, too, had not dared to actually enforce the proposed levy on the big cultivators — which, even if imposed, was in any case likely to be evaded by them. In the circumstances, nearly all of the marketed surplus (which is likely to be only a little less than that of last year, since the damages caused by successive floods in the low-lands have been matched to a great extent by the bumper crops in the high-lands) will find its way into the open market, under cover of 2.5 quintals of free movement allowed to traders.

Thus, this year, too, the public distribution system will meet only a fraction of the consumers' needs, and hoarders and speculators will mint money in the lean season ahead. Prices of rice in Gauhati and some other deficit areas have in fact already reached last year's peak of Rs 3.50 per kg, and this has led to a psychology of rising prices, to speculation and hoarding. Starvation deaths may be higher in the lean season to come than they were in last year's lean season.

Not that yielding to pressures for a free market mechanism in foodgrains would solve the impending problem of famine in this poor state. If the takeover of rice trade has been unsuccessful, it is for lack of supportive measures. Actual enforcement of a ceiling price on rice, a vigorous drive to confiscate hoarded foodgrains from the traders, and the removal of restrictions on inter-zonal movements within the state, may be the best complementary steps in today's situation.



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TCP/WBSEB 223A/75

L'Affaire National and Grindlays

THE *report* of the Public Accounts Committee on the National and Grindlays Bank, presented to the Lok Sabha on April 30, 1975, raises some very important issues concerning the functioning of foreign banks in India and the efficacy of the Reserve Bank's control and supervision over these banks. In the process it also raises another fundamental question — about Parliamentary surveillance over the actions of the Reserve Bank itself.

The genesis of the PAC's report, the audit paragraph in the report of the Comptroller and Auditor General dealing with the Union Government's Civil Revenue Receipts for 1972-73, was a routine reporting of underassessment of tax of a "non-resident banking company". To quote from the report:

> "In the assessment of a non-resident banking company, the Department allowed sums of Rs 2,81,132 and Rs 680 being proportionate expenses and interest payments to earn dividend income and income from interest on securities. But while computing the business income the Department did not add these back. Failure to do this resulted in underassessment of tax of Rs 1,97,750 for the assessment year 1969-70. The Ministry have replied (January 1974) that the assessment in question has been rectified and an additional demand of Rs 1,97,750 raised. Report regarding recovery of the demand is awaited (March 1974)."

This, however, turned out to be only the tip of the iceberg. On the basis of certain allegations of evasion of income tax by the National and Grindlays Bank, made by a former employee of the bank, the Public Accounts Committee conducted an investigation and came up with startling findings. Let the story be told in the Committee's own words:

> "The Committee find that as a result of investigations arising out of the memoranda, an amount of Rs 86.81 lakhs has been added to the taxable income of the bank for the assessment year 1971-72. Assessments for the years prior to 1971-72 have also been reopened under section 147 of the Income-Tax Act. The Committee have been informed that while the income returned by National and Grindlays Bank for the assessment year 1971-72 was Rs 3.23 crores, the income assessed was Rs 4.13 crores after several additions to the taxable income. This would indicate inadequacy of the scrutiny hitherto made of the bank's income. The Committee are distressed that the assessment of a foreign banking company that has built up a large business out of the deposits of Indian customers should be scrutinised so superficially. This is a very serious matter that compels immediate attention ...
>
> "The Committee have also been informed that the Income-Tax department has investigated in depth the claim of Rs 105 lakhs on account of head office expenses made by the bank for the assessment year 1971-72 and disallowed Rs 36.20 lakhs. Though the bank has gone in appeal against the assessment for the year 1971-72, it is seen that the bank has not disputed the disallowance of head office expenses to the tune of Rs 34.92 lakhs. Admittedly, while scrutinising the claims towards head office expenses, the Income-Tax Officer had not called for the books of accounts of the bank and no machinery also exists to check the veracity of expenditure stated to have been incurred outside India related to the business of the bank in India. The Committee also find that as regards computation of head office expenses an unfettered discretion has been given at present to income-tax officers. That an amount of Rs 36.20 lakhs should have been disallowed for one year alone on the basis of complaints would, perhaps, indicate that claims of the bank towards head office expenses had been allowed without proper scrutiny by the income-tax officers. The Committee desire that the head office expenses claimed during the assessment years prior to 1971-72 for 16 years should also be reviewed immediately with a view to ensuring that no inadmissible expenditure has been allowed to escape and repatriated in foreign exchange to the bank's headquarters ...
>
> "The Committee also find that in accordance with a technical services agreement entered into between National and Grindlays Bank and the First National City Bank, which controls 40 per cent of the shares of the former bank, the assessee bank was to reimburse to First National City Bank monthly in US dollars or such other currency as might be agreed upon, the cost incurred by the First National City Bank in providing its own personnel to the National and Grindlays Bank in its own offices ... The Committee find that Rs 21.60 lakhs in 1969, Rs 38.35 lakhs in 1970, Rs 59.29 lakhs in 1971, Rs 27.95 lakhs in 1972 have been paid by the National and Grindlays Bank to the First National City Bank under the agreement. Considering the fact that the services rendered by First National City Bank related only to training programmes, operating practices, credit policy administration, development and expansion of the National and Grindlays Bank's office and business, the Committee are not satisfied that such services can be treated as technical know-how. Banking practices and banking traditions have been long established in this country. It is also not clear whether the services rendered by First National City Bank were in fact related to the Indian branches of National and Grindlays Bank. The Bank has also not been in a position to furnish details to establish that this expenditure was related to the Indian business of National and Grindlays Bank ... In respect of the amount of Rs 21.60 lakhs paid by National and Grindlays Bank to the First National City Bank, the Committee have been informed that tax was not deducted at source by the bank and prosecution against the bank is under contemplation.
>
> "The Committee find that in addition to the payment made to First National City Bank, a sum of £ 19,837 has been paid by the National and Grindlays Bank during the accounting year 1971, relevant to the assessment year 1972-73, to Messrs Mackinsey and Co, and a further sum of £ 5,489 has been paid to Messrs Urerick and Orr by debiting head office expenses ...
>
> "The Committee are also surprised to find that a large sum of Rs 75 lakhs due to the bank from Messrs Hoare Miller and Co, Ltd, had been treated as irrecoverable by the Bank and claimed as bad debt ... It is not clear to the Committee how far the debt of Rs 75 lakhs due from Messrs Hoare Miller and Co could be treated as irrecoverable in view of the fact that the debt had been guaranteed by Shri Rampuria. Apparently, the Bank had chosen not to enforce the recovery of the debt from the guarantor ... It is also surprising that while Shri Rampuria had stood guarantee for the large sum of Rs 75 lakhs, his own wealth had been returned as only Rs. 2.81 lakhs. Besides, Shri Rampuria and his associates are also assessed to wealth tax and income-tax. Under the circumstances, the Committee are unable to understand the reluctance on the part of the National and Grindlays Bank to take positive steps for the recovery of the debt due from Messrs Hoare Miller and Co from the guarantor."

The focus of the Committee's investigations was on the taxation aspect, but some of the issues brought up by the evidence tendered before it took it beyond the technicalities of taxation. It reached into the area of jurisdiction of the Reserve Bank — and there it reached a dead end. Evidence furnished before the Committee, as recorded in Chapter VI of the Report (Treatment of Bad Debt), shows that in claiming the write-off of Rs 75 lakhs as bad debt, the National and Grindlays Bank relied on an extract from a Report of Inspection of the

National and Grindlays Bank carried out by the Reserve Bank. The Committee asked for copies of the Inspection Report from the Reserve Bank but the Reserve Bank refused to make them available. To get the legal position clarified, the Committee invited the Attorney-General who confirmed that "the Reserve Bank of India is not permitted to furnish its Inspection Reports to any one except the Bank inspected and the Central Government".

This legal restraint prevented the Committee from going deeper into the connected issues and reviewing the relative responsibility of the Reserve Bank and the taxation authorities in regard to the different matters raised before the Committee.

But whatever be the legal position, should not the Reserve Bank itself take a more positive view of its responsibilities in the public interest? Take the question of head office expenses of foreign banks. The evidence tendered by the Joint Secretary, Foreign Tax Division, as reported by the Committee, is very relevant in this context: "We were also having inter-departmental discussion with the Department of Economic Affairs and RBI. For example, one of the procedural decisions arrived at a few months ago was that in any case when the head office expenses claimed are more than Rs 1 lakh, the RBI will refer the case to the Department of Economic Affairs which will consult us in turn, whether the whole amount should be allowed or not."

This is to take a purely procedural view of the problem and to evade the basic issue. Is the question of head office expenses purely a taxation matter to be decided by an income-tax officer at his discretion? Can it not be asked why any amount by way of head office expenses should at all be remitted out of India. The foreign banks have local Advisory Boards. Though these Boards were not given a legal garb, the understanding during the social control days was that they would function virtually as autonomous boards, with only nominal control from the head office. Every foregin bank has a large enough establishment in India to control its Indian operations. Over and above the substantial expenditure incurred on the maintenance of the supervisory Indian establishment, how can anyone reasonably justify the continuance of remittance of funds to maintain their overseas establishments? In the case of the National and Grindlays Bank, the head office expenses increased from Rs 15,74,988 in 1968-69 to Rs 34,07,830 in 1974-75. Should not the Reserve Bank take a view as to the extent of supervision that should be or is actually being exercised by the head office over the branches of a foreign bank in India? Surely, it cannot be left to the discretion of the head office of the bank what amount it chooses to debit to its Indian branches? The amounts debited by different foreign banks to their Indian branches seem to bear little relationship to their scales of operation in India in terms of branches, deposits or deployment of funds. As these are large amounts involving repatriation of funds in foreign exchange, the Reserve Bank, as the custodian of the country's foreign exchange reserves, should have on its own made a *suo moto* examination into the entire question.

The PAC, in this instance, set something of a precedent by calling the Governor and Deputy Governor of the Reserve Bank as witnesses. Perhaps, indirectly, it has succeeded to some extent in piercing the veil of secrecy surrounding the Reserve Bank and one hopes that the thread will be picked up by vigilant Members of Parliament. The Committee's exposure is bound to strengthen the move to extend Parliamentary control over the Reserve Bank's functioning. The Bank of England has been brought down from its high pedestal and has had to bare itself before the Public Undertaking Committee of the House of Commons. Why not the Reserve Bank?

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PAKISTAN

Consolidation of the Regime

Tariq Ali

WHILE Pakistan has recovered from the worst effects of the separation of Bangladesh, and while there can be little doubt that its per capita income is higher than elsewhere in South Asia, this is of little cheer to the population. While Bhutto has clearly succeeded in putting his imprint on virtually every sphere of Pakistani life it would be facile to assume that this 'stability' can be anthing but temporary. The future of Pakistan – and its official leader is now aware of this fact – is tied inextricably to the future of the subcontinent as a whole, not only economically, but also militarily and politically.

Bhutto's Pakistan People's Party (PPP) right from the very beginning comprised a motley crowd of Sindhi feudals, bandwagon petty-bourgeois and hundreds of radicalised students. Bhutto successfully outmanoeuvred the Left by his radical demagogy, and so succeeded in both incorporating and containing the student and working-class radicalisation khich shook Pakistan during 1968-71. Today, however, some of the best elements within the PPP have either left voluntarily, in a state of utter demoralisation, or have been expelled, or in some cases imprisoned. One of Bhutto's earliest opponents within the PPP, Mukhtar Rana, was deprived of his parliamentary seat and continues to languish in prison. Those that have survived have been thoroughly assimilated in the governmental apparatus or have been simply bought off, with business concessions or posts abroad.

It is necessary to stress these facts in order to explain the relative quiescence of the mass movement in Pakistan over the last two and a half years. The tidal wave of 1968-69, which destroyed the Ayub dictatorship, also destroyed the old traditional Left. New militants emerged in the struggle, and thought that they had found in the PPP a political solution. They embraced it wholeheartedly, only to find themselves crushed. The sections which resisted the longest were the new proletariat who have emerged during the rapid industrialisation of the sixties. Their leaders – particularly the United Workers Federation of Karachi – reacted to the 'betrayals' of the PPP with characteristic vigour. In 1971, a strike-wave engulfed Karachi, Lyallpur, Lahore, and other industrial towns. It was destroyed during the wave of chauvinism which swept the country while the struggle for Bangladesh was on, and subsequently by the repression practised by the PPP Government. Militant syndicalism could not provide any real answers to the Karachi proletariat and, after a number of pitched battles with armed police units, the vanguard of the Pakistani working class accepted defeat.

The confusion and disillusionment which followed not only weakened working class militancy, but also immeasurably damaged trade unionism. Taking advantage of the series of defeats suffered by the Pakistani workers, many pro-government unions were set up – thus, further dividing and weakening the workers' movement.

At the same time, Bhutto carried out a number of important nationalisations – of banks, insurance companies, iron and steel, petrochemicals, gas and tractors – thus for the first time creating a real public sector in Pakistan. There were two basic reasons for this action: the first was to end the regional economic imbalances which existed, and secondly to make out in typical Bonapartist fashion to the subdued workers movement that capitalists, too, were under attack. Needless to say, those industries which form the lynch-pin of the Pakistani capitalist barons' economic power – the textile and sugar industries – have been left unharmed. Nor has there been any meaningful State intervention to redistribute part of the large landholdings, which still dominate the Pakistani countryside.

To summarise, therefore, Pakistan's recovery after the Bangladesh debacle may be attributed to a combination of repression and large-scale State intervention. However, there are indications (though small ones) that, beneath the surface, discontent is rising. The recent increases in the prices of three essential commodities – wheat (from Rs 21.50 to Rs 32 per maund), sugar (Rs 3 to Rs 4 per seer) and vegetable ghee (Rs 7.50 to Rs 9 peer seer) – created a tense situation in Lahore, for a few days, with the traditionally militant railway workers' demonstration against price rises. But, at the moment, this is nothing more than a flash in the pan.

Politically, a number of developments are taking place, which merit interest. One is the undoubted decline in the powers of the civil service, which is indeed a remarkable change for a country ruled for many, years by civil servants or civil-servants-turned-politicians (Ghulam Mohammed, Mohd Ali, Iskander Mirza, to name but a few). Now, all the important and not-so-important decisions are taken by the politicians – or, at any rate, by Bhutto himself. A number of reforms have further reduced the prerogatives of the bureaucracy. At the same time, there is taking place a growing merger of the PPP 'cadres' and the State apparatus – especially, its bureaucratic segment. Indeed, when PPP members are not joining the CSP it is the top bureaucrats who are joining the PPP; Aziz Ahmed, an old-time ICS bureaucrat and one of Pakistan's top bureaucrats, has now joined the PPP and is Minister of State for Foreign Affairs. So, in fact, what is taking place is the decline of the bureaucracy as an independent or semi-independent force, and a growth in the personal powers of the Prime Minister.

The Army is politically weaker than it has ever been in the entire history of Pakistan. The defeat in 1971, coupled with the reports about the debauched and degenerate High Command during the hostilities, offered the objective basis for Bhutto to consistently attack the notion of 'Bonapartist influences in the army' and 'military adventurism' and strengthened his hand to weed out elements in the army who hankered after power.

In fact, there have been no serious attempts at a *coup* since Bhutto took over. One attempt by young officers to get together and discuss the 'situation in the country' was nipped in the bud. All the officers were tried, found guilty, and sentenced to mild sentences. They were reputed to be the most intelligent young officers in Pakistan's Army, though if reports of their economic plans are to be believed (such as the idea of salvaging the country's economy by embarking on a massive campaign to encourage bee-farms throughout the country!) they might

not have done the country much good.

As a final symbolic warning to the army, there are yet the pathetic figure of Yahya Khan (still under house arrest) as well as the Hamoodur Rehman Commission Report which remains unpublished. Bhutto's partisans argue that it is because it would discredit the army too much that he doesn't publish it, while his critics maintain that a number of Generals in their evidence to the Commission (which was set up to enquire into the causes of the 1971 debacle) named Bhutto as the most ardent hawk in the Bangladesh affair. Whatever the reason, the army remains mute. It could be that it also knows that a new *coup d'etat* would undoubtedly result in a bloodbath, possibly a civil war, and would sound the death-knell of Pakistan as a State.

The opposition to Bhutto is essentially from two quarters: the National Awami Party, led by Wali Khan, and the parties of the Right and extreme Right. The opposition UDF (United Democratic Front) contains both the NAP and the semi-fascist Jamaat-i-Islam (the Pakistani equivalent of the Jan Sangh in India). Wali Khan's attacks on Bhutto, over the last two years, could have easily been made by the leaders of the Right-wing parties. The opposition is united on one principle: to get rid of Bhutto. They offer the masses no alternative solution. There are hardly any programmatic differences between the NAP and the PPP, and the solutions offered by the more Right-wing parties are worse than what exists at the moment. The personal abuse directed at Bhutto does not really make him feel threatened.

The recent assassination of one of Bhutto's favourite satraps in the North West Frontier Province, Hayat Khan Sherpao, while he was addressing students at Peshawar University, was used by Bhutto to ban the NAP and imprison its entire leadership. In Baluchistan, the NAP-led guerrillas continue to fight on, but neither for independence nor for full autonomy – only to gain the right to exercise power *provincially*. Baluchistan is definitely not another Bangladesh in the making. It may be 134,000 square miles in size and comprise almost half of Pakistan, but its population is only 7 per cent of the total and the density less than 7 persons to the square mile. The bulk of Baluchis, in any case, live in Karachi, Hyderabad, and other cities, where many are employed in factories. The only explanation for Bhutto's handling of the Baluchi NAP government is his desire to maintain total political and personal power. A more long-sighted bourgeois leader would have used all his wiles to incorporate the NAP, or a large chunk of it, to then confront both the Right opposition and any mass working-class upheavals.

That Bhutto would now like to do this is becoming clear; but a *rapprochement* with the NAP seems ruled out at the moment, though it could take place over the coming months.

The only other opposition figure is the slightly quixotic, retired, Air Marshal Asghar Khan with his Tehrik-i-Istiqlal (Movement of Stability). Asghar Khan is trying to do to Bhutto what Bhutto did to Ayub and, while he has some limited middle-class support, he remains the best example of Marx's adage that history repeat itself the second time as farce. Asghar Khan's continual pandering to chauvinism and his constant pledges to fight for Kashmir do not evoke the same response that Bhutto's speeches did in the post-Tashkent phase and for good reason. The situation today is completely different and the masses are not interested in another war with India or anyone else. The memories and consequences of 1971 have not been forgotten. In a curious way, this lack of belligerency among the masses corresponds increasingly with the views of the Pakistani ruling class.

Increasingly, the Pakistani rulers realise that, even *their* long-term existence requires a permanent peace with the dominant ruling class in South Asia: the powerful Indian bourgeoisie and its State apparatus. It is in this context that Bhutto's extremely important speech, some six weeks ago, to the cadets of the Kakul Military Academy should be studied. The speech was delivered after the liberation of Cambodia and, while it was a typical Bhutto performance with hundreds of digressions, it had an underlying theme: the Pakistani Prime Minister stressed that the objective impact of the revolution in Indochina would be felt in South Asia and that India and Bangladesh should therefore readjust their foreign policies and effect a *rapprochement* with Pakistan. He ended by warning the dazed cadets of the dangers of "military adventurism and bonapartism". No ruling class wants to commit suicide. The medium-term aim of the Pakistani bourgeoisie is to mend fences with its Indian counterpart. The latest ambassador of bourgeois unity in the subcontinent is none other than the Shah of Iran, the most powerful of imperialism's continental relays in Asia. The USSR and even the Chinese have stated that they are in favour of "peace and stability" in South Asia. In this situation, and particularly after the successes of the Indochinese revolution, a new war appears extremely improbable. The long-term trend remains one of moving together. The threat is not an external power, but internal disorganisation and the rise of mass movements.

The tragedy is that the workers' movement and the poor peasantry is either in the hands of parliamentarists and reformists or in a state of utter disarray. One important lesson that revolutionary socialists in both India and Pakistan will have to learn is that the way to combat the growing unity of the ruling class is not to retreat into an insular chauvinism, but to establish organic links among the masses on a subcontinental scale.

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Nehru's Pre-Independence Socialism

A G Noorani

Constitutional Relations between Britain and India: The Transfer of Power, Vol V: The Simla Conference — Background and Proceedings, 1 September 1944 — 28 July 1945; HMSO, London; Available at HMSO Sales Section, British High Commission, New Delhi-21; Rs 355.30.

THE main theme of this volume of documents on the transfer of power from British to Indian hands is the Simla Conference which the Viceroy, Lord Wavell, convened in July 1945. The editor-in-chief, Nicholas Mansergh and his assistant, Sir Penderel Moon, have ensured by their skilful editing that the focus remains on the main theme. We learn a lot about the Conference. But in this mine of documents we learn a lot more, besides. The Muslim League's real conception, as opposed to its public exposition, of Pakistan is one of the revelations.

More relevant, perhaps, is the light it sheds on Nehru's views on socialism and such matters as the use of the civil services during elections. We find the Governor of Sind, Sir Hugh Dow, complaining that "the whole of the provincial services are at the beck and call of the Ministry in power and dare not do other work than electioneering so long as the elections are in progress". This was in 1945. Have things improved since?

There is an interesting note on Nehru by the Viceroy's Private Secretary, Sir Evan Jenkins. It acknowledges his ability and integrity but warns that "his balance is a much more doubtful thing. He thinks himself an expert on foreign affairs, and has been emotionally attracted by Russia and Russian communism. I suspect that it was he (with the aid of some imprudent American correspondents) who (intentionally or unintentionally) pushed Gandhi over the edge in 1942. He lets his eloquence and mastery of words get the better of his judgment. Since his release from jail on June 15th, he has made a statement almost every day. He has dealt mainly with the Bengal famine, with corruption in the services, and with the alleged brutality with which the 1942 disturbances were suppressed." Jenkins was wrong about Nehru's role in 1942. Nehru reluctantly went along with the Mahatma then. But Nehru's comments on corruption and brutality in 1945 were recalled by many in the heyday of Nehru's rule.

The Viceroy's note of an interview he had with Nehru on July 2, 1945 has this interesting passage. "He then spoke of the Russian system, agreed as to the immense cost of life that had been caused by that system, and said that the Russian methods were not really applicable to India. He said that almost the first problem was to reform the system of land tenure, instancing particularly the Permanent Settlement in Bengal. He said it should be done peacefully and without revolution. He said that though he described himself as a Socialist, he did not believe in pure Socialism."

It must be said that the British intelligence on the whole reported accurately. It did not fabricate reports. The Note by Military Intelligence on the INA quotes a source as insistently maintaining that "no compulsion was used against either officers or ORs to join the new INA and that those who joined were sincere converts to the cause of Indian independence." Proof in support of this assertion is set out at length.

A later note on the subject reported "Indian PWs captured in Malaya have been deeply affected by Subhas Bose's inspiring leadership and clever propaganda . . . the personal influence of Subhas Bose on all ranks of the INA is tremendous and undeniable. Any propaganda attempt to belittle him has so far failed among the men encountered in Rangoon. He is regarded by them as a 'Leader' who is honest, utterly sincere, and who has raised the status of the Indian community in the Far East far above that of other minorities under Japanese occupation." Regretfully, a note headed "A short Study of Bose – His Ideas and Methods" by a senior officer of the INA appended to the first report has not been published in this volume by the editors, though they have cited the reference for any student to trace it in the archives.

The Secretary of State for India Leopold Amery proposed giving the government "all the build-up we can through the AIR, the Press, etc. I am not sure indeed that the government ought not to run its own series of newspapers throughout India, quite frankly and unashamedly as government papers supporting government policy, but giving better news, better print and better pictures than any others." New Delhi, of course, hardly needs inspiration from Amery to pursue this policy though it is doubtful if it will have the same concern for quality as he had.

The documents reveal that even the British regime in India advocated strongly that Arab rights in Palestine be respected and strenuously pressed this view on London. On October 19, 1944, the Viceroy complained to the Secretary of State "I learnt entirely by chance that an important conference on Palestine was held in Cairo last August, at which I think India should have been represented, or at least informed of the results, which I do not know even now."

Wavell kept up the pressure and reminded Amery on April 9, 1945 "I discussed with you the other day India's interest in Palestine, and said I considered I had a right to be informed of His Majesty's Government's intention, and to be consulted before any plan is approved and carried out." He recalled in this context the Khilafat agitation "which caused so much trouble after the last war and led to an anti-British alliance between Muslims and Hindus." Churchill gave in and minuted, on April 29, "There is no objection to Lord Wavell seeing the latest papers on this subject, or to his submitting his views in writing to the Palestine Committee."

Wavell sent to the Indian Office a comprehensive Note on Palestine dated July 3, 1945. He mentioned that he had "been made aware on many occasions during the last four years, both as Commander-in-Chief and Viceroy, of the dangerous effect on India of action injurious to Arab interests in Palestine. Memorials from the Governments of Bengal and Sind have recently been forwarded to His Majesty's Government, and a representation by the Punjab Premier about conditions in Syria and the Lebanon, show the interest taken by Indian

politicians in Arab grievances, of which Palestine is probably the chief".

Wavell, of course, mentioned Muslim sentiment in India as a factor in support of his pleas to London. But he also emphasised that "the agitation would not be confined purely to the Muslims". The Congress, he predicted, would be concerned. Wavell attributed this solely to the Muslim factor. Evidently, he was unaware of Gandhiji and Nehru's consistently pro-Arab stand. "Of the alternative solutions proposed" Wavell added, "that of partition would, in my judgment, have a disastrous effect on Muslim opinion, and would cause a really widespread and dangerous agitation."

Partition did come to pass. Wavell, alas, did not live to see the day when the authentic representatives of the people of Palestine supported the establishment of a democratic, secular and socialist State in Palestine and the wide support they received in India cutting across religious and political barriers.



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Public Distribution and Procurement of Foodgrains

A Proposal

I S Gulati

T N Krishnan

The scheme of public distribution of foodgrains outlined in this paper aims at the following objectives:

(1) a continuing and permanent system of public distribution;

(2) comprehensive coverage of the vulnerable sections;

(3) coverage of both deficit as well as surplus states;

(4) distribution of at least such minimum quantities per capita as will not erode the consumption standards of the poorest; and,

(5) charging a price that the vulnerable sections can bear.

In order to fulfill the above objectives, the authors' scheme of public distribution envisages:

(a) a system of compulsory procurement based on graded producer levy;

(b) self reliance, the total volume of procurement from domestic producers being at least equal to the quantity required for public distribution in normal years;

(c) equity in the distribution of the burden of procurement; and,

(d) procurement at reasonable prices.

THIS paper attempts to put forth a comprehensive scheme for the procurement and public distribution of cereals for the country as a whole. The reasons for such a scheme to concentrate on the distribution of cereals are quite obvious; not only do cereals provide more than half the calories in the average Indian diet but also they account for three-fourths or more of whatever calories persons in the low income groups are able to garner each day. As the National Commission on Agriculture says: "Considering that a substantial portion of the Indian population today subsists below the line of poverty, it should be a national obligation to take care of those who are at the subsistence level or below, particularly in difficult years. This should be the most important aspect of public policy. The only way of protecting the vulnerable sections from the impact of rising prices and inflation is to provide th foodgrains through public distribution, or, if this cannot be the foodgrains prices sufficiently low".[1] In this paper, we have attempted to work out, first, the magnitude of cereals required for public distribution if the vulnerable groups of population are to be protected from price rise; second, the equitable manner in which that quantity can be procured internally; and, finally, the various policy implications which would follow from the adoption of such a scheme on public distribution and procurement of cereals.

Objectives of the Scheme

The scheme of public distribution outlined in this paper aims at the following:

(1) A continuing and permanent system of public distribution; the necessity for a permanent system of public distribution exists so long as the growth in output of cereals barely keeps pace with the growth in population so that barring exceptional years of bumper crop the situation with regard to food is likely to be one of either shortage or near-shortage.

(2) A comprehensive coverage of the vulnerable sections; the public distribution system is designed to cover not only the bulk of the urban population but also all the non-cultivating population in the rural sector. On this basis, the population covered will amount to 298 millions forming about 51 per cent of the total population in 1973.

(3) Coverage of both deficit as well as surplus states; vulnerable sections of the population exist equally in surplus states too and therefore, there is no justification for excluding such sections of the surplus states from the purview of public distribution.

(4) Distribution of at least such minimum quantity of cereals per capita as will not erode the consumption levels of the poorest; as is explained later a quantity of 280 grammes per capita per day is the minimum amount of cereals to be distributed to achieve this objective. Even on this very modest basis, the total requirement of cereals for the population to be covered by our scheme will amount to 30.1 million tonnes.

(5) Charging a price that the vulnerable sections can bear; the idea is that the modest quantity to be distributed will be made available to the population concerned at a price which is within its reach. In a shortage situation – which situation is likely to continue for quite some time in the matter of cereals in our country — the vulnerable sections are unable to maintain their real consumption level because price rises continually push down the value of their money income. Therefore, the prices charged for the cereals distributed through the public distribution system would have to be substantially lower than the prevailing market prices except in a year of bumper crop.

In order to meet the commitments of public distribution on the basis of the objectives outlined just above, our scheme envisages:

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(1) A system of compulsory procurement based on graded producer levy.

(2) Self-reliance; the total volume of procurement from domestic producers will, at least, equal the amount required for public distribution in normal years; imports are envisaged only in lean crop years when there is a drastic fall in domestic output.

(3) Equity in the distribution of burden; the system of procurement will be equitable in that (a) farmers similarly placed are treated similarly regardless of whether they belong to surplus or deficit states and (b) whatever 'burden' procurement implies it is imposed progressively.

(4) Procurement at reasonable prices; while the price offered for the quantities to be procured will be lower than the prevailing market price, it should nevertheless be such as would cover the full costs of production.

Proposed Scheme of Public Distribution

As stated above, under the proposed scheme our idea is to cover not only the urban households but also the non-cultivating households (including agricultural labour households) in the countryside so that the system ensures the supply of certain minimum quantities to the vulnerable sections of the community regardless of whether they reside in the cities or villages.

According to the norm laid down by the Indian Council of Medical Research for a balanced diet, the per capita daily requirement of cereals is 370 grammes.[2] The average per capita availability in the country has generally exceeded this amount in all years excepting the unusually bad ones. Excluding cultivators and their dependents, if the public distribution system were to cover the rest of the population, it would include the entire urban population, the agricultural labourers and other non-cultivating rural population, who together constitute 308.4 million in number and 53.6 per cent as proportion of total population estimated for 1973.[3] On the basis of the ICMR norm, the annual requirement of cereals for such a public distribution system will amount to 41.5 million tonnes.

In arriving at the above estimate of 41.5 million tonnes, income-tax payers and their families are not excluded. Nor does it exclude those self-employed persons and their families who manage not to pay income tax but are otherwise as well placed as income tax payers. In this category will fall most of non-tax paying persons engaged in professions and business. The exclusion of these persons will reduce the number to be catered to by the public distribution system to at most 298 millions;[4] the cereal requirement for this revised number would be 40.7 million tonnes on the basis of the ICMR norm. This quantity would form 50.6 per cent of the net output of cereals (after making allowance for feed, seed, requirements, and wastage at 12.5 per cent of gross output) for the quinquiennium, 1970-74. This however will exceed any known measure of marketable surplus of cereals and, therefore, does not appear to be feasible in the present context. It is necessary, therefore, to search for an alternative feasible quantity that the public distribution system should aim at providing to the segments of the population identified above. Such quantity, however, must fulfil one criterion, *viz*, that it should provide the poorest of the vulnerable groups with at least the quantity of cereal that they were consuming already in a normal year.

For this purpose, we have taken 1964-65 as the base year. This year was not only a normal year with respect to the output of cereals but also it represented the last year before the structural changes that took place in the Indian foodgrains market following the drought of 1966 and the subsequent developments in wheat production. Fortunately, data on the quantity of cereals consumed by the various fractile groups of the population are also available for the same year from the National Sample Survey.[5] According to the data of the 19th round of the NSS, the per capita annual foodgrains consumption varied from 116 kgs for the bottom-most decile to 302 kgs for the top-most decile in the rural sector in 1964-65. For the urban sector, the corresponding range was from 103 kgs to 140 kgs. These figures, however, include the consumption of gram and other pulses also. When gram and other pulses are deducted, the estimated consumption of cereals by the lowest decile would be 105 kgs in the rural sector and 93 kgs in the urban sector. Assuming that the bottom-most deciles of the rural and urban populations constitute the poorest of the vulnerable segment of the population, it is necessary that the public distribution system should provide at least these quantities to the population it covers. On this basis, the annual per capita average quantity to be distributed would amount to 100.8 kgs and the corresponding total quantity required for public distribution would amount to 30.1 million tonnes per annum.

The figure derived above is much higher than the quantities so far distributed through the public distribution system. The highest quantity distributed during the period 1951-1974 was in the drought year, 1966, and even that amounted to only 14 million tonnes which is less than half of the estimated requirement of public distribution under our scheme.

Although the quantities distributed under the present system are much smaller than our estimate, the population *formally* covered by the system is even larger than the population to be covered by our scheme. For instance, in 1972, while the quantity distributed was only 10.5 million tonnes, the system is said to have covered a population of 411 millions.[6] On this basis, the per capita annual availability from the system would have amounted to only 25.5 kgs. But this, of course, is a very misleading figure, since the population *effectively covered* by the public distribution system, though not known, was definitely much, much smaller.

Our estimate is also higher than the estimate of 12 million tonnes made very recently by the National Commission on Agriculture.[7] This is so in spite of the fact that the National Commission's estimate is based on a per capita distribution of 124 kgs per annum as against 100 kgs assumed by us. The discrepancy in the total requirement obviously arises because the Commission[8] proposes to cover only (i) the cities and towns with population of over 1 lakh, excluding those in surplus states; (ii) all industrial towns covered under the scheme of All-India Consumer Price Index Number for Industrial Workers; (iii) drought prone areas, where the per capita distribution is placed at 227 gms instead of 340 gms; and (iv) flood affected areas, where provision for distribution has been made for only 3 months. The total population to be covered under these categories adds to 136 millions[9] as against 298

millions under our scheme.

The inequities inherent in a system of public distribution that covers only the larger cities are obvious. Since industries and other related economic activities are concentrated in the larger cities, per capita income in the large cities is likely to be larger than in other areas. Even if it is true that the higher purchasing power in these cities tends to push up the prices of cereals and this can be kept in check only by public distribution of foodgrains and by cordoning off these cities, the discrimination involved in doing so cannot be overlooked. Thus while larger cities are assured of regular cereals supplies at controlled prices, the rest of the urban population is made to depend on the open market at higher prices even for their basic needs. In times of shortage, when the government has already removed part of the marketable surplus, the open market prices are bound to be even higher.

The inequity of the above system is bound to be even greater when one considers the non-cultivating households in the rural areas. Agricultural labourers, forming the most vulnerable group, comprise some 30 per cent of the rural population. They are also much worse off in terms of income compared to the industrial workers. Moreover, during times of inflation, such as the present, they are the ones most affected in terms of the erosion of real income. Though the National Commission shows full awareness of the precariousness of the economic position of agricultural labourers, it did not consider it practical to extend the public distribution system to them. The Commission states its position in this regard as under:[10]

> "Agricultural labourers form a sizeable section of the community. There is a tendency now to do away with the age-old practice of paying wages for various operations in kind to these labourers in rural areas. They are generally the poorest section of the rural population and their wages do not go up in proportion to the increase in the cost of living. As such, their level of living is badly affected in a situation of rising prices and inflation if their wages are paid in cash without adjustment for the rise in the cost of living. The Commission strongly feels that the practice of paying wages in kind for various agricultural operations should be maintained. This would make more grain available to this section of the population and thereby lessen their hardship. It would also reduce the pressure on the public distribution system. Otherwise, if a very large section of the rural population is to be covered, it would be a tremendous job to ensure proper distribution of foodgrains and may be beyond the capacity of the present administration."

Evidently, the Commission was satisfied that if the 'age-old' practice of paying wages in kind was 'maintained', then the cereal requirements of the agricultural labour households would have been met! We too have taken into account the receipt of wages in kind by the agricultural labour households but as we elaborate on it presently, the quantities involved would not be adequate to meet more than a fraction of their minimum cereal requirements.

According to the calculations made above, the quantity of cereals needed for a public distribution system, which would meet our objectives, is 30 million tonnes a year. In making the above estimate of the requirements, it was assumed that like the urban households even the agricultural labourer households will also need their full cereal requirements to be met from the public distribution system. It is known, however, that agricultural labourers do get paid in kind to some extent throughout the country, though the proportion varies from state to state. According to the National Sample Survey[11] enquiry into the disposal of cereals by producer households in rural areas, such payments amounted to 10.21 per cent of the gross output of cereals. Unfortunately, these data were collected for the year 1950-60, and no similar enquiry has been undertaken for any later year, but it is known that the recent trend has been to substitute cash payment for payment in kind. This has been noticed by the National Commission on Agriculture also.

If it were assumed that the pattern of wage payment in kind continues to remain the same as in 1959-60, the likely amount of cereals available to the agricultural labourers through such transfer will be about 10 million tonnes per annum. If, however, it is believed that payments in kind to agricultural labourers have declined and that much smaller of the gross output is now paid out in this form, it will be safer to assume a much smaller amount. We have assumed in our calculations of the quantity to be procured that payment in kind forms only 5 per cent of the gross output. For this purpose, we have ignored inter-State variations in this ratio. On this basis, the amount of cereals to be procured for public distribution would decline from 30 million tonnes to 25 million tonnes per annum.

Since the objective of our scheme is to see that the poorest of the vulnerable groups of population get at least that amount of cereals which they were consuming in the base year 1964-65, it goes without saying then that the system of public distribution should provide these minimum quantities at a price which is within the reach of this group. Naturally this price would have to be lower than the open market price now prevailing. It is a well known fact that between 1964-65 and now, the prices of wage goods in general, and particularly of cereals, have risen

TABLE 1 : NET DOMESTIC PRODUCTION, IMPORTS, INTERNAL PROCUREMENT, AND ISSUES FOR SELECTED YEARS

(In million tonnes)

Year	Net Domestic Production	Imports	Procurement	Issues	Col (3) as Percentage of Col (5)
(1)	(2)	(3)	(4)	(5)	(6)
1951	40.18	4.80	3.82	7.99	60.0
1956	50.43	1.39	0.04	2.08	66.7
1961	60.89	3.50	0.54	3.98	87.9
1962	61.85	3.64	0.48	4.37	83.2
1963	60.19	4.56	0.75	5.18	88.0
1964	61.79	6.27	1.43	8.67	72.3
1965	67.33	7.46	4.03	10.08	74.0
1966	54.60	10.36	4.01	14.09	73.5
1967	57.65	8.67	4.46	13.17	65.8
1968	72.58	5.69	6.81	10.22	55.6
1969	73.14	3.87	6.38	9.39	41.2
1970	76.83	3.63	6.71	8.84	41.0
1971	84.53	2.05	8.86	7.82	26.2
1972	82.31	0.45	7.67	10.48	4.2
1973	76.23	3.61	8.42	11.40	31.6
1974	82.13	4.78	5.68	10.61	45.0

by more than the increase in the money incomes of this group; hence this can be corrected only by distributing cereals to this group at prices which are sufficiently lower than the market prices.

Proposed Scheme of Procurement

Let us start with an appraisal of the existing system of procurement. The total quantity issued through the public distribution system is obtained from: i) imports and ii) internal procurement. Table 1 gives the quantities of net domestic production (i e, output minus 12.5 per cent for seeds, feed and wastage), imports, internal procurement and issues for the years 1951, 1956, 1961 and thereafter.

It will be noticed that until recently the public distribution system was sustained largely by imports, particularly of foodgrains imported under PL 480 arrangements with the USA. Dependence of the system on imports in 1951 was as high as 60 per cent and went up further to 88 per cent in 1961. Thereafter, dependence on imports has been declining. In 1966, the corresponding proportion was 73.5 per cent and in 1971 it was only 26.3 per cent. 1972 was a year of zero import dependence. However, in 1973 and 1974, the extent of dependence on imports again shot up to 31.6 per cent and 45 per cent respectively.

As for internal procurement, the proportion of net output procured declined from 9.5 per cent in 1951 to 1 per cent in 1961. Thereafter, though it picked up in the early 1970s, it has not exceeded 9 per cent even in these years. The percentage of output procured in each state in 1972 are given in Table 2. From this Table, it can be seen that the bulk of the procurement is confined to a few states.

Although the internal procurement in recent years has relied very largely on a few states, it has fluctuated in both quantity as well as proportion of domestic output. Fluctuations in quantity procured can take place even when the proportion of output procured remains constant once one allows for fluctuations in a year to year output. Fluctuations in the proportion of output procured however are much more likely to be caused by the trading response of the marketed surplus to the fluctuations in output than by the fluctuations in output themselves. This would have to be so under a system of procurement which relies largely on levies on trade, because then the proportion of output procured becomes a function of the proportion of output that enters trade. When output declines (and there is scarcity) the quantity entering trade will decline by a larger proportion and when output rises (and there is abundance) the quantity entering trade is proportionately greater.

It is also possibly the system of trade levies underlying the present system of procurement which explains the low proportion of output actually procured. However high the rates of trade levy may be on paper, since it is a levy which becomes enforceable only on the foodgrains entering trade, there is considerable scope for leakages right from the farm onwards.

TABLE 2 : NET CEREAL PRODUCTION AND INTERNAL PROCUREMENT IN DIFFERENT STATES, 1972

(in '000 tonnes)

States	Net Cereal Production	Total Procurement	(3) as Percentage of (2)	Percentage Contribution to Total Procurement
(1)	(2)	(3)	(4)	(5)
Andhra Pradesh	5,470	253	4.6	3.2
Assam	1,721	81	4.7	1.0
Bihar	6,955	23	0.3	0.2
Gujarat	3,553	1	..	..
Haryana	3,361	1,074	31.9	13.9
Jammu and Kashmir	839	56	6.6	0.7
Kerala	1,176	61	5.1	0.8
Madhya Pradesh	7,975	395	4.9	5.1
Maharashtra	3,771	122	3.2	1.5
Karnataka	4,898	44	0.8	0.5
Orissa	3,677	150	4.0	1.9
Punjab	6,639	3,818	57.5	49.5
Rajasthan	4,423	54	1.2	0.7
Tamil Nadu	6,059	161	2.6	2.1
Uttar Pradesh	12,922	1,158	8.9	15.0
West Bengal	6,789	212	3.1	2.7
All India	81,898	7,693	9.3	100.0

Source : Bulletin of Food Statistics, 1973, Directorate of Economics and Statistics, Ministry of Agriculture, 1973.

EQUITY BETWEEN STATES

An examination of the proportion of net output procured in different states shows wide variations. This raises the problem of equity between states. The problem would arise under the present system of procurement to the extent to which farmers *equally placed with respect to their output* in different states bear unequal burden flowing back from the trade levies either because the rates of levies are not the same in all the states or because they are not enforced equally effectively. Assuming that the marketed surplus actually contributed to procurement varies between states the burden can be said to be dissimilar.

It should be quite relevant to mention in this context the experiment tried for 1972-73 rabi crop, and given up subsequently, in government take-over of trade in wheat. On principle, a complete take-over of trade in foodgrains should result in the government being in a position to procure the marketed surplus in each state. Then the type of inequity resulting from inter-state disparities in the proportion of marketed surplus procured should no longer exist.

Unfortunately, the experiment was tried for one crop-season and that too for just wheat. All the same, the results of the experiment are worthwhile noting. It can be seen from Table 3 giving figures of production, market arrivals and procurement of wheat in Haryana, Punjab and Uttar Pradesh for the years 1970-71 to 1972-73, that while the quantities procured in 1972-73 – the year of take-over – accounted for 90 per cent and above of the market arrivals, there was a decline in all the three states in the market arrivals, not only in absolute terms, but also in relation to the output of wheat for that year. The wheat output suffered a decline in Haryana (by 9.9 per cent) and Punjab (by 4.4 per cent) and registered a slight increase in Uttar Pradesh (by 1.1 per cent). However, the quantities of

TABLE 3 : PRODUCTION, MARKET ARRIVALS, AND PROCUREMENT OF WHEAT IN HARYANA PUNJAB AND UTTAR PRADESH, 1970-71 TO 1972-73

State	Year	Production (000 tonnes)	Market Arrivals (000 tonnes)	Procurement ('000 tonnes)	4 as Per Cent of 3	5 as Per Cent of 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Haryana	1970-71	2,342	919	709	39.2	77.1
	1971-72	2,402	976	818	40.6	83.7
	1972-73	2,160	651	586	30.1	90.0
Punjab	1970-71	5,145	3,119	2,938	60.6	94.2
	1971-72	5,618	3,438	3,438	61.2	92.5
	1972-73	5,361	2,765	2,707	51.6	97.9
Uttar Pradesh	1970-71	7,690	1,606	1,145	20.9	71.3
	1971-72	7,550	1,246	843	16.5	67.7
	1972-73	7,633	876	816	11.5	93.1

Source : Agricultural Prices Commission, Report on Price Policy for Wheat for 1974-75 Season, February 1974.

wheat procured were lower in 1972-73 in all the three states. The decline was of the order of 3.2 per cent for Uttar Pradesh, 14.9 per cent for Punjab and 28.4 per cent for Haryana from the previous year.

It is obvious that stocks were withheld to some extent from the market in order to escape the hands of the government and most probably this was done by larger farmers either on the strength of their own resources and/or with the help of the traders (since traders could be expected to trust and help in this regard the larger than the smaller farmers).

Whether, if the take-over had been extended beyond 1972-73 rabi crop, the tendency to withhold stocks from the market would have gained strength or not can now be only a matter of conjecture. But the fact is that the switchover in 1973-74 to 50 per cent trade levy was even more disappointing in that the wheat procurement declined from 4.5 million tonnes in 1972-73 to 1.8 million tonnes in 1973-74.[12] This decline, according to Economic Survey for 1974-75, was due to manipulation of market arrivals "by farmers and traders in order to avoid paying the levy".[13]

EQUITY WITHIN A STATE

The question of equity within a state itself between farmers *differently placed with respect to their output* needs also to be sorted out when a trade levy is imposed. Even if a state contributed a high proportion of its output, and marketable surplus, to procurement it is important to ask if the burden implicit in this contribution is so distributed that the sacrifice it entails is equitably distributed taking into account the farmers' capacities. The distribution of the burden of procurment through trade levy among the farmers within a state, will depend on the proportion of output marketed by farmers owning holdings of different sizes. One could posit here three possible relationships between output marketed and the size of holdings: i) the proportion of output sold is constant regardless of the size of holdings; ii) the proportion of output sold increases with the size of holdings and iii) the proportion of output sold declines with the size of holdings. Assuming that the marginal utility of income declines with the size of income (and therefore holding), the sacrifice which a trade levy would imply for the farmers of different sizes of holding could be regressive not only under relationships (i) and (iii) but even under relationship (ii) posited above. Of course, the position of the small farmers would be the worst under relationship (iii).[14]

Let us assume complete backward shifting of the incidence of the burden (*i e*, the difference between the market price and the procurement price) of the levy. Under the present system of trade levies, if a state imposes a 50 per cent levy, and if the procurement price is only half of the market price, then the price that trade offers to the farmers cannot be above 75 per cent of the market price. Under the relationship (iii) posited above, the sacrifice implicit in this 25 per cent reduction in the price of output that the former gets would work regressively and the highest proportional sacrifice will befall the smallest farmer. Even in a state like Punjab where the proportion of the area under large holdings is not inconsiderable — 42 per cent of the area is held by farmers owning holdings of above 20 hectares in size— which contributes more than 50 per cent of its cereal output to procurement, the sacrifice imposed on the small farmers might be quite out of proportion to the size of their output. While there may, or may not, be much scope for mopping up additional surpluses in procurement in such a state, it will be no less necessary to ensure that whatever be the quantity procured it is collected in an equitable manner.

Going by equity considerations, it appears to us necessary then that while procurement levy should be imposed on farmers in all the states, the levy should take into account differences in productivity levels existing between states and differences in sizes of holdings existing between farmers. The underlying principles for such a system were already enunciated, and quite clearly so, sometime ago in the following words of the Agricultural Prices Commission:[15]

> "It should be a social obligation on the part of the cultivators to surrender a portion of the produce to the state in the wider national interest. In this context, just as in the case of the direct taxes, such as taxation of income and property, a uniform code is laid down for the whole country and for all citizens, so also should a system be evolved under which a part of the output of the agriculturist would be obtained for purposes of the state. The only difference here would be that while direct taxation involves no *quid pro quo*, in the case of procurement the transactions would still be in the nature of buying and selling and the producers would receive a price, even though this price may be lower than the prevailing open market price. The case for such an impost becomes particularly strong in view of the extremely light incidence of agricultural taxation in the country.... So far as possible, procurement should follow the principle of equi-marginal sacrifice."

Proposed Scheme of Producer Levy

The principal features of the proposed scheme of levy are as follows :

a) The level will apply to *all* cereals and not just to rice and wheat;

(b) the levy rates for different states will be appropriately weighted for differences in productivity;

(c) the levy rates will vary according to the size of the family operational holding under cereal crops;

(d) the levy price for the standard variety will be uniform throughout the country (this, however, will permit appropriate adjustments for quality differences).

ALL CEREALS COVERED

While the inferior cereals, like jowar, bajra, etc, account for over 25 per cent of the total cereal output, procurement has largely been confined so far to rice and wheat. There are a number of important reasons why it is essential for the procurement network to cover the inferior cereals also. As is well known, these cereals form the staple item of consumption of the agricultural labourers and other low-income groups. The fluctuations in the output of these cereals are found to be larger than in that of rice or wheat. Further it has also been noticed that during periods of price rise, the prices of inferior cereals rise proportionately higher than the prices of rice and wheat. Taking these facts into account, it appears that procurement and public distribution of inferior cereals are equally necessary to protect the interests of the most vulnerable sections of the community.

WEIGHTING FOR PRODUCTIVITY

To ensure equity in procurement, it is necessary to identify and group land under cereal crops in different states into "equivalent" size-classes in a manner that the average output of cereals for a given equivalent size of holdings will be the same in all the states. For this purpose, the average cereal productivity in Punjab has been used as the numeraire. To illustrate, let us compare the states of say, Punjab and Andhra Pradesh. Let us assume that the productivity per hectare is 2,000 kgs in Punjab and only 1,000 kgs in Andhra Pradesh. If a Punjab farmer has a farm of 7 hectares, his output will be 14,000 kgs, he will surrender 4,400 kgs to the government at the proposed rates of levy, and he will be left with a balance of 9,600 kgs. In the case of Andhra Pradesh, a farmer cultivating 14 hectares of land will belong to the equivalent holding size and by applying the productivity-weighted levy rates, exactly the same amount of 4,400 kgs will be collected from him by way of procurement and his balance will be the same as that of the Punjab farmer, *viz*, 9,600 kgs. Thus, the amount of levy collected from farmers belonging to equivalent size classes of holdings will be the same in all the states, which will also ensure the residual output not procured from them is the same. Since productivity differences are bound to exist between various districts/tracts within a state, the same principle should apply in making adjustment for productivity differences within the state for determining the quantities to be procured from each district/tract.

PROCUREMENT ON FAMILY BASIS

The arguments in favour of the family holding as the basis of procurement are strong on both economic and practical considerations. The main economic justification is that expenditure and saving decisions are made primarily on the basis of the requirements of the family as a whole. The principal practical consideration in favour of the choice of the family holding is that a progressive producer levy on individual holdings is bound to lead to the splitting up of holdings between family members. It is common knowledge also that splitting up family holdings has been widely resorted to already in recent years in anticipation of land ceiling and other like legislations.[16]

Thus for the purpose of the proposed producer levy, all land cultivated by any member of a family consisting of husband, wife and their minor children in the village, as also in any other village in the state, should be considered as family holding. To ensure compliance, effective sanctions will have to be introduced whereby not only will any false declaration be made punishable but also any omission to report land cultivated by any member (in his own name or as *benami*), should have the effect of surrendering cultivation and/or ownership rights in the omitted land.

FIXATION OF LEVY PRICES

The whole concept of a progressive producer levy is based on the assumption that in a shortage economy it imposes a certain sacrifice on the persons from whom the levy becomes collectable. But the extent of the sacrifice involved will depend crucially on the prices at which the government undertakes to purchase the levy cereals.

Naturally, the first question that arises in this connection relates to the very basis on which the levy prices should be fixed. Should levy prices be fixed in relation to the market prices or the costs of cultivation? This question assumes importance because of the wide inter-state variations in the margin between the market price and cost of cultivation.' While inter-state disparities in the prices of the same cereals are known to be rather wide, the costs of cultivation do not seem to diverge that widely. A good part, however, of the present disparities in market prices is the consequence of the various restrictions imposed on inter-state movement of cereals on account of the overall scarcity. Therefore, the present price disparities cannot be said to reflect the situation that would obtain in the absence of overall scarcity and/or when inter-state movement can take place without restrictions. In the circumstances, these artificial disparities in market prices cannot be taken as the criterion for fixation of levy prices. As it turns out, the divergence in the costs of cultivation of major cereal crops between the states, at least of those states for which information on costs is available, is not very large.[17] That, we believe, is the principal justification for the practice already being followed as to the fixation of uniform procurement prices. For our proposed producer levy also, the adoption of uniform level prices for various crops throughout the country has been assumed thus doing away with the necessity of making adjustment for cost differences in addition to the adjustments we are making for productivity differences between the states. But in principle, there cannot be any objection to allowing for differences in cost of cultivation, particularly when these differences are substantial and adjustment for them can, if desired, be easily introduced.

Additionally, recent experiences in procurement suggests that the quantum of procurement does not respond to higher prices. On the other hand, often market price seems to be quite sensitive to increases in procurement prices. ' The National Commission on Agriculture has particularly noted this fact and states as follows: "If the procurement price is increased, open

market price will correspondingly go up and in this situation, a farmer would always look to the open market for disposing of his stocks. As a result, a higher price may not lead to higher procurement. Empirically also, despite higher procurement price, the quantum of procurement has not shown any significant increase".[18]

Proposed Rates of Producer Levy

The rates of levy given in Table A are so structured as to enable the procurement of 25 million tonnes of cereals every year. These rates apply for the numeraire size-classes and will have to be adjusted for relative productivities of the different states.

If, as proposed above, households cultivating upto 2.50 numeraire hectares are completely exempted from the levy, it would imply that in a state like Maharashtra where relative productivity is the smallest, no levy will be leviable on farmers cultivating upto 9 hectares. As for households cultivating over 2.50 numeraire hectares, these levy rates would imply that households cultivating 5.00 hectares of land would still be left with 80 quintals, households cultivating 10.00 hectares would be left with 120 quintals, households cultivating 20 hectares would be left with 160 quintals and households owning 25 hectares would be left with 170 quintals. It is clear from these calculations that the residual output after procurement will more than meet the consumption requirements of the families even in the lowest size-group. On the other hand, the progressivity of the levy rates, as the size of holding increases, ensures that the additions to the residual output are smaller as the holding size increases.

Estimation of Leviable Area

In order to estimate the area operated by cultivators belonging to equivalent size classes in different states in India, distribution functions are fitted to the land distribution data of each state. The data on the distribution of land holdings for the different states in India are taken from the National Sample Survey enquiry into land-holdings for 1961-62. To estimate the area for each of the equivalent size classes, gamma distributions were fitted to the landholdings data and the proportions of area derived from these distributions were applied to the total area under cereal crops in each state.[19] Here it is important to state explicitly the assumptions underlying these calculations. It is assumed firstly that the distribution of land for operational purposes would not have drastically altered from the distribution obtaining in 1961-62, and secondly, that the distribution of land under cereal crops follows the same pattern as total land. However, if the actual degree of inequality for land under cereal crop is less than the one assumed above, the levy rate would have to be suitably adjusted upwards to procure the same quantity.

In Table 4, the equivalent productivity-weighted size-classes and the percentage distribution of area for each equivalent size-class are shown for all the states. Though this paper is not directly concerned with the disparities in the pattern of land distribution among states, a comparison of the percentages of land owned in the different size group of holdings in, say, Kerala and Punjab throws a very interesting light on the limitations of the conventional measures of inequality like the Gini co-efficient. Lorenz measures have consistently indicated that land distribution in Kerala is more skewed than in Punjab. Our calculations, however, show that while in Punjab 42 per cent of land is held in holdings of over 20 hectares, the area held by holdings of equivalent size (adjusted for relative productivity) account for less than one per cent in Kerala. In the circumstances one may have to adopt some other measure of relative inequality when one makes inter-state comparisons.

On the basis of the size distributions thus derived, the total area in each equivalent size-class is estimated and it is multiplied by the corresponding levy rate of that state for estimating the total quantity of procurement. The levy rates for each state are determined by multiplying the rates applicable to the numeraire size-classes by the state's relative productivity.

Proportion of Cultivators Liable to Levy

Once we have made the adjustment for productivity differences between the states and the land under cereals is divided into holdings of various size classes, a clear picture emerges about the proportion of cultivating households liable in each state to the proposed producer levy. As will be seen from Table 5, the proportion ranges from 15.21 per cent in Kerala to 75.82 per cent in Punjab. But, in most states the proportion liable to pay the levy would be around 400 per cent.

Estimation of Quantity Procured

On the above basis, the proposed producer levy will lead to a procurement of 25.8 million tonnes of cereals in the entire country. This will form 30 per cent of the net output of cereals in a year. Procurement will have to be the highest in Punjab, accounting for 52 per cent of the state's output. On the other hand, in Kerala, where the proportion of output to be procured is the minimum, it is only 14 per cent. The proportion of output to be procured in each state is determined by the relative productivity and the size distribution of holdings. In Table 6, the estimated procurement and the average output of cereals are given for all the states in India.

Inter-State Flows

For each state, the difference between the amount needed for public distribution and the amount procured in that state will give the net flow. These estimates are given in Table 6. The Table shows that Punjab, Madhya Pradesh, Haryana, Rajasthan, Orissa, Karnataka and Jammu and Kashmir have net surpluses available for transfer to other states. The net deficit states are Bihar, Kerala, Maharashtra, West Bengal, Tamil Nadu, Gujarat, Assam, Andhra Pradesh, Uttar Pradesh, Himachal Pradesh and Union Territories.

It is important to note that while the total procurement postulated under the proposed system is 25 million tonnes, the quantity to be transferred to the deficit states works out to only 8 million tonnes, a figure which is close to the amount that is currently being transferred from the surplus to the deficit states.[20] This closeness in the figures is misleading however. Inter-state movements constitute the sheet-anchor of the present system of public distribution because the quantities procured within the deficit states are relatively small. On the other hand, the viability of the proposed system depends on the deficit states procuring about 12.3 million tonnes internally in order to distribute 20.2 million tonnes of cereals. Against the above figure of 12.2 million tonnes is to be set the quantity of cereals now procured by the dificit States, *viz*, only 2 million tonnes and that too in as recent a year as 1972. Thus, only if the deficit states are prepared to make adequate procurement within their own jurisdictions — adequate in the sense of such norms of equity that one might wish to apply for the country as a whole — can they hope to meet their food problem satisfactorily. As can be seen from Table 7, the proposed system envisages the public distribution of cereals to the vulnerable sections and the urban population of the surplus states too. Thus of about 13.0 million tonnes procured by the surplus states, while 7.9 million tonnes will be transferable to the deficit states, the remaining 5.1 million tonnes will be re-distributed within these states themselves.

TABLE A: RATE STRUCTURE OF THE PROPOSED PRODUCER LEVY

Hectares Cultivated	Proposed Levy Rates (quintals per hectare)
(a) Where the size of holding does not exceed 2.50 hectares	zero
(b) Where the size of holding exceeds 2.50 hectares but does not exceed 5.00 hectares	8 quintals per hectare on the land cultivated in excess of 2.50 hectares
(c) Where the size of holding exceeds 5.00 hectares but does not exceed 10.00 hectares	20 quintals *plus* 12 quintals per hectare on the land cultivated in excess of 5.00 hectares
(d) Where the size of holding exceeds 10 hectares but does not exceed 20.00 hectares	80 quintals *plus* 16 quintals on the land cultivated in excess of 10.00 hectares
(e) Where the size of holding exceeds 20.00 hectares	240 quintals *plus* 18 quintals per hectare on the land cultivated in excess of 20.00 hectares.

Feasibility Re-Examined

Since the validity of the proposed scheme depends on the success of procurement, a question naturally arises as to whether it would be possible to step up procurement from a maximum of 8.86 million tonnes in recent years to as high a figure as 24.8 million tonnes per annum. In this context, we cannot overlook that already in Kerala the state government has been procuring cereals through a progressive producer levy since 1964. Though the present rates of the levy in Kerala are not quite as high as the ones proposed by us in our scheme, the exemption limit is much lower being only two acres as against our two and a half hectares. According to the distribution of land holdings, as given in the Survey on Land Reforms of 1966-67,[21] about 37 per cent of the paddy land, was held in operational holdings of above 2 acres and they should have yielded a procurement of some 150,000 tonnes in a year. Actually, the highest procurement so far obtained in any one year was 94,000 tonnes. Since then the procurement has been much smaller around 70,000 tonnes.[22] Does Kerala's experience belie our faith in the producer levy on an all-India scale? A closer examination of the Kerala producer levy reveals that though quite progressively structured, it takes not the family holding but the individual holding as the basis of assessment. As a result, there has been large-scale splitting of holdings in the names of various members, including sometimes minors, of the same family with a view to avoiding, among other things, the levy. This is evident from the fact that while in 1966-67, operational holdings of 10 acres and above under paddy cultivation accounted for over 9 per cent of paddy land, they accounted for only 2 per cent of the paddy land in 1972-73.[23] The fact that in Kerala the government was able to collect almost 50 per cent of the targeted amount in spite of this major loophole, which assessment on the basis of individual holdings provided, encourages us to believe that under our scheme of assessment on the basis of family holdings the target set for Kerala of 180,000 tonnes should not at all be difficult to reach.

Let us also look at the feasibility aspect of our scheme from another angle, namely of a surplus state which is now making a sizeable contribution to the country's procurement effort and see how our target compares with what is already being procured. We shall take Punjab's case. In Punjab, the procurement has been made on the basis of some variant or the other of a trade levy. It was largely pre-emptive buying before the wheat trade takeover in 1972-73. Both pre-emptive buying by the State and the State takeover of trade really amount to 100 per cent trade levies. Then in 1973-74, it was 50 per cent trade levy and now the state has been allowed to go back to pre-emptive buying. But on the basis of these trade levies, it has been possible for the state to procure close to 3 million tonnes annually in recent years except in 1973-74. What our scheme seeks to do for Punjab is to ask for the procurement of 3.65 million tonnes a year on the basis of a levy which would shift the burden almost entirely from the small farmers and place it on the shoulders of the large farmers.

Extending the procurement by producer levy to all the states, surplus or deficit is perfectly equitable once we have made the required adjustment for both productivity differences and differences in distribution of land between the states. There is no reason why the extension of procurement by producer levy to the entire country should be inoperable. One should however, take note of the argument that procurement in the deficit states, particularly on the scale envisaged in our scheme, is bound to raise the open market prices in these states still higher and that if and when this comes about the strain on the administration of the levy in the deficit states would increase. This appears to us a rather weak argument against a very desirable as well as urgent reform. In fact, those who argue against procurement in deficit states should note that one can argue for higher levies on farmers with the same output in deficit states than their counterparts in surplus states on the ground that differences in output prices are as relevant as differences in productivity in the fixation of levy. The farmers with equal volume of output in deficit states enjoy the privilege of disposing of their marketable surpluses at much higher prices than the farmers in surplus states. In our scheme, we do not propose to go that far. Sufficient advance would have been made over the present system of procurement which is based largely on trade levies and is concentrated in only a few surplus states, in terms of equity, if procurement on the scale we envisage were to be made on the basis of a progressive producer levy suggested by us extending to all the states.

In the light of the above, it appears

TABLE 4 : STATEWISE PRODUCTIVITY RATIOS, EQUIVALENT PRODUCTIVITY WEIGHTED SIZE CLASSES OF HOLDINGS AND PERCENTAGE AREA BY CLASS

State	Productivity Ratio (three-year average)	Size Classes of Holdings (in hectares) A	B	C	D	E
Punjab	1.0000	0-2.49 (2.95)	2.50-4.99 (6.80)	5.00-9.99 (17.98)	10.00-19.99 (33.01)	20.00 & above (39.24)
Kerala	0.7519	0.349 (49.40)	3.50-6.49 (30.02)	6.50-12.99 (18.35)	13.00-26.49 (2.23)	26.50 & above (..)
Jammu and Kashmir	0.7463	0-3.49 (30.02)	3.50-6.99 (40.43)	7.00-13.49 (25.97)	13.50-26.99 (3.52)	27.00 & above (0.02)
Tamil Nadu	0.6849	0-3.49 (25.69)	3.50-7.49 (38.30)	7.50-14.49 (28.88)	14.50-28.99 (6.96)	29.00 & above (0.91)
West Bengal	0.6667	0-3.99 (29.8)	4.00-7.49 (32.8)	7.50-15.49 (30.6)	15.00-29.99 (6.6)	30.00 & above (0.1)
Haryana	0.6410	0-3.99 (6.64)	4.00-7.99 (13.54)	8.00-15.49 (27.08)	15.50-30.99 (35.03)	31.00 & above (17.63)
Orissa	0.5128	0-4.99 (27.56)	5.00-9.99 (33.98)	10.00-19.49 (29.93)	19.50-38.99 (8.33)	39.00 & above (2.52)
Assam	0.5076	0-4.99 (49.88)	5.00-9.99 (39.23)	10.00-19.99 (10.67)	20.00-39.49 (0.24)	39.50 & above (..)
Uttar Pradesh	0.4854	0-4.99 (45.0)	5.00-9.99 (34.1)	10.00-20.49 (18.9)	20.50-40.99 (2.0)	41.00 & above (0.01)
Bihar	0.4545	0-5.49 (40.56)	5.50-10.99 (35.08)	11.00-21.99 (21.38)	22.00-43.99 (2.94)	44.00 & above (0.03)
Andhra Pradesh	0.4504	0-5.49 (16.74)	5.50-10.99 (23.52)	11.00-21.99 (33.68)	22.00-44.99 (2.41)	45.00 & above (3.65)
Karnataka	0.4310	0-5.99 (11.84)	6.00-11.49 (19.38)	11.50-22.99 (34.83)	23.00-46.49 (28.20)	46.50 & above (5.74)
Gujarat	0.3636	0-6.99 (13.31)	7.00-13.99 (23.44)	14.00-27.49 (35.49)	27.50-54.99 (24.14)	55.00 & above (3.60)
Madhya Pradesh	0.3367	0-7.49 (17.77)	7.50-11.99 (27.52)	15.00-29.99 (35.91)	30.00-59.49 (17.23)	59.50 & above (1.56)
Rajasthan	0.2762	0-8.99 (13.91)	9.00-17.99 (22.91)	18.00-35.99 (35.34)	36.00-72.49 (24.05)	72.50 & above (3.80)
Maharashtra	0.2747	0-8.99 (17.9)	9.00-17.99 (25.4)	18.00-33.49 (36.2)	36.50-72.99 (18.4)	73.00 & above (2.1)

Note : The figures in brackets represent the percentage of total area under the respective size class of operational holding.
..Negligible.

to us that given the *political will* to implement the scheme of procurement outlined by us above which some might rightly consider as too big an assumption to make – it should not be difficult to reach the target of 25 million tonnes. Given the modest target set by us for per capita distribution of cereals, procurement effort at this scale is absolutely necessary. If, however, even this is not considered feasible by the powers that be, then one has to think in terms of much more fundamental structural reforms of the present socio-economic system.

Related Matters

CROP FLUCTUATIONS

The estimate of total procurement derived above is based on the average productivity of three recent years. But one cannot ignore the fact that cereal output is subject to considerable annual fluctuations. In Table 8, data on the percentage change in the output of rice, wheat, inferior cereals and total cereals form the output of the previous year are given for the period 1951 to 1972. While the annual fluctuations in the individual crops are considerable, it appears that a uniform crop failure of the same magnitude affecting all cereals in the same year is a rarity. In fact, this provides an additional justification to include all the cereals in the procurement system since the combined magnitude of fluctuations in total cereals is generally smaller than the magnitude of annual fluctuations in individual cereal outputs. Of course, there are upward fluctuations as well and bumper crops too are not ordinarily experienced for all the crops in the same year.

The problem posed by fluctuations could be more serious at a disaggregated level of the individual state/districts because the amplitude of fluctuations at the state/district levels will be far greater than at the national level. In the circumstances, how does the system respond to such fluctuations? When fluctuations in crop are downward and a state/district experiences a decline in output of a proportion greater than say, 15 per cent, compared to its average output for the previous *three years*, appropriate reductions/remissions will be unavoidable. It is only in years of the large crop failures however, that the pressure on the public distribution system is bound to be the greatest. To meet such pressures, it is imperative that the government must complement a policy of public distribution with an adequate buffer stock built from imports and the output of bumper crop years.

It is to be noted that in our scheme so far, imports are not necessary to keep the system functioning in a normal year. But it appears to us unavoidable that imports should be made with a view to building up adequate buffer stocks – adequate to cushion the impact of crop failures without upsetting the system of public distribution. At the same time, no opportunity should be lost in trying to build up and replenish the buffer stocks from internal purchases during years of bumper crop. In this connection, a blanket government commitment to

TABLE 5: STATEWISE PERCENTAGE OF TOTAL CULTIVATORS LIABLE TO PAY THE PROPOSED PRODUCER LEVY

Andhra Pradesh	42.75
Assam	24.23
Bihar	23.43
Gujarat	54.01
Haryana	64.66
Jammu and Kashmir	40.00
Kerala	16.21
Madhya Pradesh	46.99
Maharashtra	44.11
Karnataka	55.48
Orissa	36.27
Punjab	75.82
Rajasthan	51.03
Tamil Nadu	39.79
Uttar Pradesh	19.39
West Bengal	36.15

purchase at procurement prices any quantity of foodgrains offered by farmers for sale after meeting their levy should go a long way.

CONSUMER PRICES

Broadly speaking, the present practice is to charge for the cereals issued through the ration/fair price shops a price which is arrived at by subtracting from the procurement price the subsidy per quintal of cereals that the Central Government is able to accommodate in its Budget. Whether or not a similar practice ought to be continued under the proposed procurement-public distribution system will depend very largely on the level at which the procurement price is fixed. But in view of the fact that under the proposed system, there is an *open recognition* of the existence of the *tax element* in the procurement price and that this element will be distributed progressively it is reasonable to hope that the pressures to which the fixation of procurement price is now exposed will be much weaker or at least that the government will be in a stronger position to resist such pressures. To the extent, this assumption is valid, the burden on the Budget should be less. At the same time, there can be little doubt that the prices charged to the consumers would have to be reasonably low so that these minimum cereal supplies are within reach of the families with the lowest incomes and that as a charge on the Budget the claims of a corresponding subsidy should rank with those of the high-priority current expenditure commitments of the government.

OPERATION OF DUAL PRICING

The system of public distribution envisaged here does not purport to meet the full cereal requirements of the different groups of population covered by the system. Since the quantum of distribution was based on what the poorest of the vulnerable groups were consuming, naturally, the other sections of the population would not only want to consume more but could also afford a higher level of consumption. They will obviously resort to open market purchase of cereals to meet the balance of their requirements. At the same time, the proposed producer levy does not procure all of the marketable surplus from the farmers who would still be left with a surplus after meeting their normal requirements of consumption. Under these circumstances, the only question is: what will be the equilibrium price for cereals in the open market? Obviously, the open market equilibrium price will be higher than the price that would have prevailed in the absence of compulsory procurement of cereals. Such higher market prices for cereals will emerge especially in areas of high purchasing power in a state, like the cities or urban areas. These would attract to such areas even such quantities of marketable surplus that would have normally remained in the low purchasing areas such as the rural sector. In consequence, the prices of cereals will ultimately go up in those areas also. In such a situation, if any of the vulnerable groups are left out of the purview of the public distribution system, whether they be in the urban or rural sector, they will be worse off than they were before the introduction of the public distribution system. A dual pricing system of allocation is equitable only if the vulnerable groups are taken care of and they are not left to the mercy of the market mechanism. The open market is useful only for allocating the available supply among the higher income groups in a situation of scarcity. It is for these reasons that we consider it important to cover all vulnerable sections of the population, including agricultural labourers, under the public distribution system.

POPULATION GROWTH

The minimum cereal requirements for public distribution have been worked out on the basis of 1973 population estimate. In order to maintain the annual per capita distribution at the same level, it will be necessary to find provision for the annual increase in the population covered by the system. This can be achieved by imposing a surcharge on the levy rates which will raise the annual procurement at the same rate as the annual rate of growth of such population. Besides, it is important to bear in mind that the per hectare productivity of cereal crops is also likely to keep increasing, though not necessarily at the same rate as population. Therefore, the levy rates can be re-adjusted every three years by taking into account the productivity changes during the interregnum for

TABLE 6 : ESTIMATES OF PROCUREMENT FOR DIFFERENT STATES UNDER THE PROPOSED PRODUCER LEVY

State	Procurement (000 tonnes)	Procurement as a percentge of the Average Output of Cereals for 1969-70 to 1971-72	Percentage Contribution of Each State to Total Procurement
Andhra Pradesh	2226	32.8	8.8
Assam	243	12.0	0.9
Bihar	1189	16.7	4.7
Gujarat	1138	29.9	4.5
Haryana	1644	44.1	6.5
Jammu and Kashmir	216	21.6	0.8
Kerala	182	14.0	0.7
Madhya Pradesh	2479	28.5	9.8
Maharashtra	1695	33.4	6.8
Karnataka	1872	33.7	7.4
Orissa	1113	24.7	4.4
Punjab	3718	52.8	14.7
Rajasthan	1689	32.2	6.7
Tamil Nadu	1864	28.0	7.4
Uttar Pradesh	2276	15.0	9.0
West Bengal	1518	20.9	6.0
Total	25062	27.6	100.0

TABLE 7 : STATEWISE REQUIREMENT FOR PUBLIC DISTRIBUTION, PROCUREMENT AND NET TRANSFERS UNDER THE PROPOSED SYSTEM

(In 000 tonnes)

State	Requirement for Public Distribution	Procurement	Net Transfer (+ inflow—outflow)
Andhra Pradesh	2527	2226	+301
Assam	516	243	+273
Bihar	2747	1189	+1558
Gujarat	1272	1138	+134
Haryana	321	1644	—1323
Jammu and Kashmir	122	216	—94
Kerala*	1632	182	+1450
Madhya Pradesh	1273	2479	—1206
Maharashtra	2790	1695	+1095
Karnataka	1421	1872	—451
Orissa	863	1113	—250
Punjab	419	3718	—3299
Rajasthan	706	1689	—983
Tamil Nadu	2445	1864	+581
Uttar Pradesh	2966	2276	+690
West Bengal	2487	1518	+969
Union Territories and others†	846	—	+846
All-India*†	25353	25062	+7897 —7606

* Kerala's requirements for public distribution have been worked out without taking into account the widespread consumption of tapioca in the state.

† Includes Himachal Pradesh, other states and union territories. It is assumed that the cultivating population in these states and territories, will meet their full cereal requirements ; as for their non-cultivating population, its requirements will be met from transfers.

*† The inflow to the deficit states should equal the outflow from the surplus states. The minor discrepancy in these figures are attributed to the approximations in the calculations and therefore ignored.

matching procurement with the needs of public distribution.

TREATMENT OF NON-FOOD CROPS

The imposition of levy on the producers of cereals does entail a burden and it is sometimes feared that unless an equivalent burden is imposed on the producers of non-cereals, there might be substitution of non-cereal crops for cereal crops. Empirical evidences indicate that "the selection of the crop and its production are dependent more on traditional factors such as suitability of the land for the crop and rainfall and climatic conditions at the time of sowing rather than on price".[24] However, there is still an equity consideration which warrants that a corresponding burden be imposed also on the growers of non-food crops when a levy is imposed on producers of foodcrops. In this connection the experiment that is being tried in Maharashtra is worth exploring for extension to all the states. The National Commission on Agriculture's observation on the subject is very apt. "In Maharashtra the producers of commercial crops are also required to pay levy to the government in terms of grains. This they do by selling their produce and buying the required quantity of grain. The system has much to commend itself. If the compulsory graded levy is put on the producers of foodgrains and commercial crops, there will be no discrimination against the farmers producing foodgrains, a charge that is generally made now. The adoption of this approach will, at the same time, remove the apprehension of large-scale transfer of area from food crops to commercial crops."[25]

RESTRICTIONS ON INTER-STATE MOVEMENTS

So far, we have hardly touched on the administrative aspects of the proposed scheme of procurement. Nor do we propose to go into it at any length. There is, however, one administrative aspect of procurement that we must comment upon and this relates to the zonal system whereby each state is now treated as a separate zone and movement of cereals on private account between zones is not allowed. Under the system of procurement currently prevailing, since the levy is enforced at the market points it is extremely crucial for the success of the system that arrivals at these points do not get directed elsewhere. That is why, the states, particularly the surplus states which now yield the bulk of procurement, have to be cordoned off. But once the present system of procurement by trade levies goes and the system of procurement by producer levy is put in its place, do we still need the zonal restrictions? The zonal system, we feel, might be as necessary for the effective implementation of the producer levy as it is for the trade levy because its existence would considerably reduce the gains from evasion of the producer levy. This is borne out by Kerala's experience in procurement by producer levy where the paddy producing areas in the state are cordoned off until the levy is collected. In this connection again, it will be relevant to refer to the National Commission on Agriculture which while recommending that the major operational instrument for the procurement of cereals should be the "well-tried" (!) system of compulsory graded levy on producers and millers as well as hullers, at the same time suggests continuation of the restrictions on inter-state movements; but the Commission too is in favour of giving a state option *to remove* these restrictions once, *in the judgment of the Centre,* the level target of the state has been reached in any year.

CONCLUDING REMARKS

In conclusion, let us restate our basic *position, namely* that the case for a system of public distribution of foodgrains with a comprehensive coverage of the vulnerable sections of the community can be made on purely redistributive grounds for a shortage economy like ours. Added urgency has been lent to the matter by two most recent developments. One is the extraordinary rise in prices, including the prices of foodgrains, over the recent past and the other is the savage burden imposed on the country's balance of payments by not only the quadrupling of the price of oil, within a short span of one year, but also nearly the same order of increase in the prices of food and fertiliser imports. Given the prospects facing the country in the coming years in the matter of balance of payments, it is almost imperative that we should plan in terms of self-sufficiency in regard to food; hence the emphasis in our scheme for the internal procurement of the entire quantities, however

large, needed by the public distribution system in a normal year. But to meet the demand of both inter-personal and inter-state equity, it is important that procurement should be based on a system of progressive producer levy extending to all surplus farmers in all the states, surplus or deficit.

Notes

[This is the revised version of a paper that was circulated among friends and interested scholars in December 1974. We are grateful to K N Raj, Ashok Mitra, V S Vyas, N Krishnaji, P G K Panikar, and N B Amin for their comments and suggestions. However, the authors are responsible for the views expressed in this paper. They are extremely grateful to Chandan Mukherji and A V Jose for all the programming and computational assistance they gave them so very unstintingly on the preparation of this paper.]

1 Government of India, National Commission on Agriculture, Interim Report on Agricultural Price Policy, New Delhi, February 1965, p 51, para 5.7.

2 Gopalan C, Balasubramanian S C, *et al*, "Diet Atlas of India" National Institute of Nutrition, Hyderabad, 1971, p 13.

3 This figure is arrived at by adding to the urban population the estimated number of non-cultivating population in the rural sector. Since the Census of 1971 does not give the total population belonging to the latter group, we have estimated it by multiplying the number of non-cultivating male workers in each state by an average figure of family size. Raj Krishna, while estimating the requirements for public distribution (See 'Government Operations in Foodgrains', *Economic and Political Weekly*, September 1967 also reprinted in Chaudhuri, P (Ed), "Readings in Indian Agricultural Development", George Allen and Unwin, 1972, pp 121-122) had also followed a similar procedure. He excluded cultivating families and income-tax paying families from the purview of the public distribution system. But since the data on population comprising these two groups were unavailable, he estimated their numbers by multiplying the number of income-tax paying individuals and families, and the number of cultivating males by five, a number which he assumed to represent the average family size. This procedure led in his case, to the exclusion of about 338 millions from the public distribution system. In his system, thus the population to be covered was about 110 million in 1966. The total urban population alone came to 79 million in 1961 and if the income-tax paying families are excluded, the non-urban population covered by his system would amount to only 37 million. Did this imply that the non-cultivating population in the rural sector constituted only 37 million? According to the Second Agricultural Labour Enquiry (1956-57), the agricultural labour households constituted 24.5 per cent of total rural households. An estimate of the population of agricultural labour households based on the NSS eighteenth round (Report No 124, Tables with Notes on Income of Rural Labour Households) shows their number to be 62.8 million in 1963-64. Thus it appears that Raj Krishna would have covered, besides the urban population, only about 60 per cent of the agricultural labour households. Thus the impression gained from his paper that excluding the income tax-paying families and cultivating families, everyone else could be covered by his scheme and that only 17 million tonnes of foodgrains would be required to do so, appears to us as, grossly fallacious and based on an error in his calculation. This quantity estimated by him is less than 53 per cent of the quantity required to cover the same population at the daily per capita quantity envisaged by him.

To estimate the average family size, we divided the total rural population by the total number of rural male workers, which gave a consistently smaller figure. While independent enquiries like the NSS indicate that the average family size is close to five, at the same time they indicate that the average number of male workers in a family exceeds one. This is confirmed by the data given in the various reports of the NSS. For instance, while the average size of an agricultural labour household is 4.47, the average number of male earners is 1.24 and the average total number of earners is 2.01. (See Report No 134, p 25). Similarly, while the average rural household size is estimated at 5.02 the average number of earners per household is 2.16 (See NSS Report No 144, p 56 and the average number of male earners appears to be 1.49. Therefore, by multiplying the number of male cultivators by five would lead to the overestimation of the population of the cultivating families. This appears to be the cause of error in Raj Krishna's calculation.

4 To estimate the number of persons belonging to income-tax paying families, the number of individual income-tax payers in each state is multiplied by the average urban family-size of that state. The average family size, for this purpose, is derived by dividing the total urban population of that state by the number of urban male workers. In 1972, the population belonging to income-tax paying families thus derived amounted to 6 million. The population of non-tax paying self-employed persons but who would belong to the tax paying income classes is assumed to be 4 million. They are allocated to each state in the same proportion as the percentage of income-tax paying population. Both these groups have been assumed to belong to the urban sector for purposes of calculation of cereal requirements.

5 Government of India, Cabinet Secretariat, Table with Notes on Household Consumer Expenditure and Enterprise for Rural and Urban Areas of India, National Sample Survey, Nineteenth Round, No 189

TABLE 8 : PERCENTAGE CHANGE IN THE GROSS PRODUCTION OF RICE, WHEAT, INFERIOR CEREALS AND TOTAL CEREALS FROM THE PREVIOUS YEAR, 1952 TO 1972

Year	Rice	Wheat	Inferior Cereals	Total Cereals
1952	2.47	—7.02	3.55	1.45
1953	7.52	20.01	14.27	11.77
1954	22.52	6.44	16.43	17.81
1955	—10.85	12.91	0.30	—3.45
1956	7.94	—3.05	—14.06	—2.47
1957	5.46	7.16	2.38	4.64
1958	—12.85	—15.81	6.76	—6.27
1959	20.61	24.35	7.47	16.03
1960	0.63	3.80	—2.15	—0.51
1961	8.76	6.47	3.82	6.65
1962	2.75	9.72	—3.85	1.57
1963	—6.12	—10.70	6.80	—2.69
1964	10.90	—8.57	—3.60	2.65
1965	6.24	24.40	6.84	8.98
1966	—22.21	—15.16	—15.60	—18.91
1967	0.49	9.61	12.29	5.58
1968	23.57	45.18	19.73	25.90
1969	5.71	12.76	—12.55	0.78
1970	1.68	7.73	8.35	5.04
1971	4.44	18.61	11.95	10.01
1972	2.00	10.82	—16.21	—2.62

Source : Government of India, Ministry of Food, *Bulletin of Food Statistics*, 1973.

July 1964–June 1965, pp 72 and 139.

6 Government of India, Ministry of Food, *Bulletin on Food Statistics*, pp 56-57.

7 Government of India, National Commission on Agriculture, Interim *Report on Agricultural Price Policy*, New Delhi, 1975. Appendix VI, p 108.

8 *Ibid*, p 52.

9 *Ibid*, p 108.

10 *Ibid*, para 5.14, pp 55-56.

11 Government of India, Cabinet Secretariat, Tables with Notes on Disposal of Cereals by Producer Households in Rural Areas, National Sample Survey Report No 115, Fifteenth Round, July 1959–June 1960.

12 Government of India, Ministry of Finance, Economic Survey, 1974-75, p 20.

13 *Ibid*, p 20.

14 Various studies have shown that the small farmer usually sells, or is compelled to do so, a higher proportion of his output than the medium farmer. See Dharm Narain, "Distribution of the Marketable Surplus of Agricultural Produce by Size Level of Holdings in India", 1950-51, Delhi, 1961.

15 Report of the Agricultural Prices Commission on Price Policy for Kharif Cereals for 1967-68 Season, September 1969, p 5.

16 Regarding the choice of the family as the unit of assessment for purposes of direct taxation, the Raj Committee on Taxation of Agricultural Wealth and Income considered its pros and cons in great detail. See Report, pages 12-13 and 89 to 92.

17 See, N Krishnaji, "State Intervention and Foodgrain Prices", *Social Scientist*, Volume 3, Number 6/7 1975. Government of India, National Commission on Agriculture, Interim Report on Agricultural Price Policy, February 1975, Appendix IV, p 106.

18 Government of India, National Commission on Agriculture, *op cit*, pp 49 and 50.

19 We have, following the Kerala pattern, adopted the operational family holding as the unit of assessment for levy purposes. Our principal reason for doing so is that the levy can best be collected from the actual cultivators of land. There are other reasons also for adopting the operational holding as the unit of assessment in preference to ownership holding into which the Raj Committee on Taxation of Agricultural Wealth and Income has gone in detail. The point, however, to stress here is that the legislations on the levy should entitle the cultivator, where he is cultivating leased in land, to share the total levy with the owner in the same proportion as total output.

It must be stated also that we had worked the quantities to be procured on the basis of the proposed levy rates taking ownership holding as the basis of assessment and found that the total procurement was in either case almost the same.

20 The study by Vyas and Bandopadhyay ("National Food Policy in the Framework of a National Food Budget", *Economic and Political Weekly*, March 29, 1975, Review of Agriculture, pp A-2 to A-13) suggests a scheme of public distribution which might appear to be somewhat similar to our own study. However, it is necessary to emphasise that the similarity is rather apparent and not real. The principal features of their scheme, as compared with ours, are as follows:

(a) The per capita requirement for various groups of population is estimated by applying an income elasticity of demand to the base year figure. This would imply that the quantity supplied through the public distribution system would be the same as the quantity demanded under market equilibrium with stable prices. They envisage the per capita supply of 160.8 kgs for the rural non-cultivating population and 138.7 for the urban population as against the quantities of 105 kgs and 93 kgs respectively assumed by us.

(b) The total quantity required for public distribution would amount, in their case, to 53 million tonnes in 1975, which would be 57 per cent of the estimated net output.

(c) However, they do not envisage the operation of the system of public distribution in *all* states; foodgrains will be supplied only to the states to the extent there is a deficit in the output in a particular crop season. For this purpose, the year is divided into two crop seasons under their scheme, 7 states in kharif season and 15 states in rabi season would be required to supply foodgrains through the public distribution system.

(d) Even when they confine the public distribution to deficit crop season of the states, the total quantity of foodgrains required for public distribution would be 33.2 million tonnes.

(e) Regarding the net amount of foodgrains to be transferred to the deficit states, in one place they state that "as regards the quantities to be shifted, if the states are the primary units of planning, in 'normal' years the net movement from surplus to deficit states would be in the neighbourhood of 10 to 12 million tonnes. The current operations in this respect are not much below the figures indicated above. The task does not seem to be beyond our capacity to accomplish" (see p A-5). At another place, they state their findings as follows: "Further, it is assumed that the Centre's intervention will be in the nature of net transfers from surplus to deficit states, i e, that there will not be any criss-cross movements among the states. Such net transfers from surplus to deficit states, after utilising the stipulated imports, would be 4.5 million tonnes in case of alternative I, 10 million tonnes in case of alternative II and 33.3 million tonnes in case of alternative III" (see page A-11). It appears from the latter statement that they seem to assume that net transfers from surplus to deficit states would have to equal the total estimated requirement for public distribution in the deficit states!

(f) Based on the figures given by them, the total quantity of deficits of foodgrains in the deficit states amounts to 18.4 million tonnes in 1975. This would be the quantum of net transfers needed to meet the commitments of public distribution in the deficit states.

(g) While the net deficit amounted to 18.4 million tonnes, the net surpluses available for transfer amounted to only 9.0 million tonnes.

(h) These calculations imply that the Vyas-Bandopadhyay scheme envisages a permanent dependence on imports to sustain public distribution on the scale assumed by them and to balance the food budget. The estimate of imports for 1975 amounted to over 9 million tonnes which formed over 50 per cent of the net transfer to deficit states;

(i) Though, Vyas and Bandopadhyay have not explicitly spelled out their scheme of procurement, it appears from their calculations that the cultivators would be allowed to retain for themselves foodgrains at 196.6 kgs per capita and the remaining quantities of net output would be procured from everyone. Perhaps they too had in mind some sort of progressive producer levy, possibly the Pigovian type under which all the tall poppies are cut to the size of the average poppy!

21 See, Government of Kerala, Bureau of Economics and Statistics, Land Reforms Survey, 1966-67: Report, 1968 mimeo. Distribution of paddy land had to be estimated from the data given in the Report of the distribution of land by size classes of all lands.

22 See, Centre for Development Studies, "Poverty, Unemployment and Development Policy, A Case Study of Selected Issues with Reference to Kerala", Volume I, Chapter V, March 1975.

23 *Ibid*.

24 Government of India, National Commission on Agriculture, *op cit*, para 3.21, p 26.

25 *Ibid*, para 5.25, p 62.

NEW CONFUCIAN THOUGHTS...II

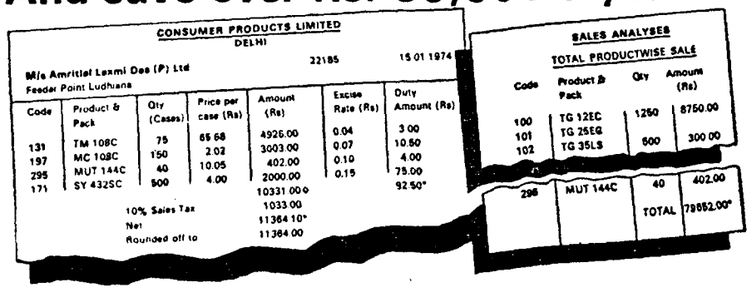
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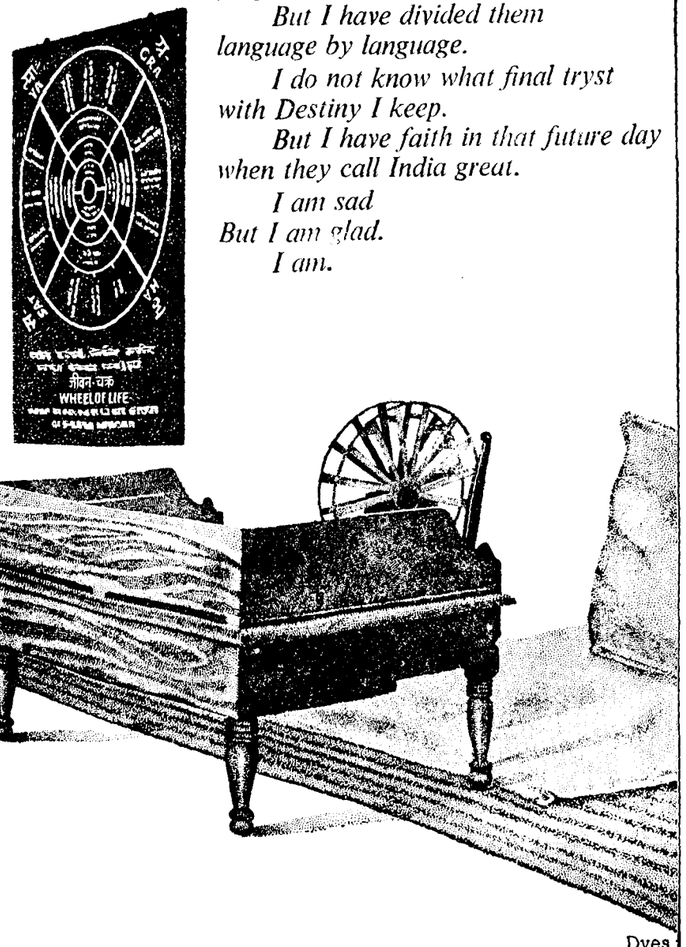
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Ours is a magnificent land-6

I follow the footsteps
of a man called Mahatma.
But I have loved the teacher
more than his teaching.

I fought a hundred years
for responsible government.
But I have given the franchise
to all my illiterates.
I made "Tax-free Salt!"
the battle-cry of freedom.
But I have paid for the essentials
of life in the black-market.
My newspapers starve
for want of newsprint.
But I have proudly proclaimed
the freedom of speech.
I am blessed with the world's
largest cattle population.
But I have been, Oh God,
so slow putting milk into babies.
I pledge my future to
the vagaries of fickle monsoons.
But I have built giant
factories of iron and steel.
A thousand years separate
my cities from my villages.
But I have leaped a hundred
technological years in twenty.

I hoped to weld a diverse
people into one nation.
But I have divided them
language by language.
I do not know what final tryst
with Destiny I keep.
But I have faith in that future day
when they call India great.
I am sad
But I am glad.
I am.



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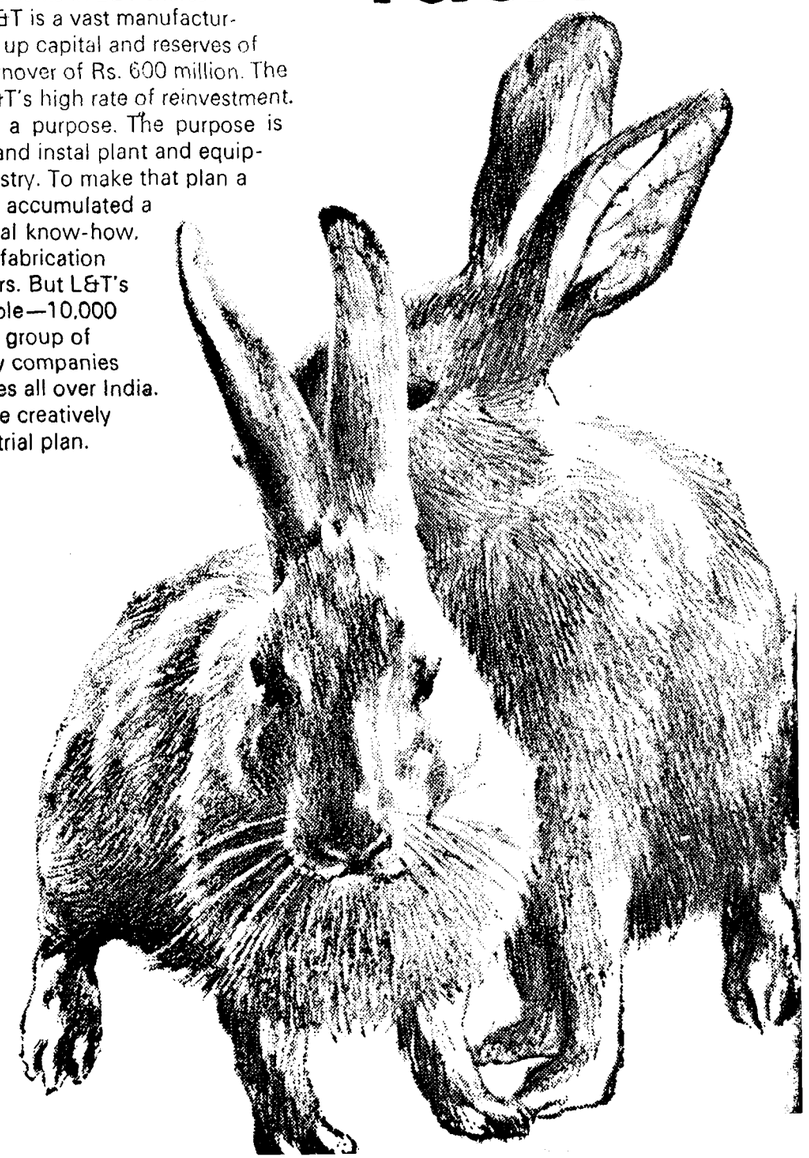
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REVIEW OF MANAGEMENT

The common multiplying factor

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held in breach of party discipline if they voted against their own Chief Minister on the floor of the Assembly, to vote the Speaker out would be a safer gambit, and in any case SenGupta would have no alternative but to quit. An emissary from the Congress President was hurriedly despatched to Agartala imploring the dissidents not to move the no-confidence motion, but they seemed to be holding out.

However, they counted their chickens much too early. As long as the Maintenance of Internal Security Act is there, no Chief Minister need pass sleepless nights, any more, worrying over the viability of his Ministry. Between the early hours and midnight of May 21, a neat dozen of the CPI(M) MLAs, including the Leader of the Opposition, were arrested under the MISA. The Agartala Sadar Police Station, when contacted, suggested that the MLAs were arrested to prevent them from disrupting supplies of essential commodities, but the state's Inspector General of Police apparently did not know anything about these charges.

All is well that ends well. Now that these dozen opposition MLAs have been locked away, Sukhamoy SenGupta can face with nonchalance the challenge of the rebel elements from within his party, who will, on their own, be incapable of voting out either him or the Speaker. There could be no sweeter use of the MISA.

The Tripura episode proves that even elementary decency has now evaporated from within the government. The Prime Minister and the Home Minister keep repeating assurances that the MISA would not be applied to suppress legitimate political activities on the part of the Opposition. Clearly they do not mean a word of what they say. In case the ruling party's interests are even marginally threatened, the MISA is going to be used, and opposition politicans will be hurled into prison without the least hesitation. L'affaire Tripura has merely added a new milestone: the MISA is henceforth going to be used in order to bail the party out of sticky situations engendered by factional squabbles too: the remedy for infighting amongst Congressmen is a few honourable members of the opposition.

Even as Sukhamoy SenGupta was effecting a coup in Agartala, the Union Home Minister, Brahmananda Reddy, was genuflecting in New Delhi. Barely a couple of weeks ago, the Home Minister, admonished by the Speaker, the Deputy Speaker, the entire Opposition, as well as at least some members of his own party, had agreed in the Lok Sabha not to press for the immediate introduction of the proposed amendment to the MISA aimed at stiffening its provisions in relation to the north-eastern states. It was pointed out that the amendment needed redrafting so as to clear some ambiguities, such as whether arrests could take place outside the disturbed north-eastern states for offences allegedly committed or to be prospectively committed there. The Home Minister, urged upon by the Speaker, had then seemingly agreed to redraft the relevant clauses.

But no longer. Subsequent intra-mural counselling must have convinced

the authorities that such extra-liberal gestures do not befit the MISA, enough ought to be enough; the government's assurance that certain kinds of arrests are not going to be effected despite the passage of the amendment should satisfy the Opposition — and the Speaker. The worthlessness of assurances of this nature could not have been more vividly illustrated than by the murky goings-on in Tripura.

Thailand

Opportunist Anti-Americanism

THE collapse of the US-backed regimes of South Vietnam and Cambodia and the progressive hegemony of the communist forces in Laos, have shaken Thailand into activity, mending its fences with its eastern neighbours. The regime in Bangkok has shown keenness to establish friendly relations with Vietnam, Laos and Cambodia. In the midst of such diplomatic endeavours by the Thai government, the US's use — in flagrant disregard of Thai wishes — of U Tapao, their Thai base, for rescuing the Mayaguez which was impounded by the Cambodians, deeply annoyed Prime Minister Kukrit Pramoj. The irate Prime Minister acted immediately by calling back the Thai ambassador in Washington, and hinted at a reappraisal of US-Thai relations over the past two decades. In Thailand, the police looked on indifferently while Thai students chanted anti-American slogans in the streets.

Thailand had been a reliable domino in the US game in Indo-China. Not only had it opened up its territory for US bases which were used to launch air attacks on North Vietnam, Laos, and Cambodia, but its troops had been employed in the ground war, and its mercenaries in clandestine CIA operations. The change in Thailand's stand today is not all that sudden, however. It was initiated in October 1973, when the decade-old military junta was ousted and a multi-party government installed in power. One of the first acts of the new civilian regime was to reduce the US military presence in Thailand. In a further act of neutralisation, the Pramoj regime also established full diplomatic relations with North Korea, and sent cultural missions to various communist countries.

The communist victory in Indo-China has now hastened this process — for a number of not entirely positive reasons. The presence of sizeable insurgent forces in the north-east region of the country and in the northern Mekong area, has been a source of constant worry to the ruling classes in the country. These forces will certainly gain heart now from the communist successes in Indo-China. One of the primary aims of the current official effort at neutralisation is to give little scope to the insurgents for the use of anti-American — and hence anti-government — propaganda, and also to blunt the likely edge of the eastern neighbours', at least open, support to the rebels.

But there is a larger context which requires a more neutral foreign policy on the part of Thailand. This is provided by the inescapable change in US foreign policy in the South-East Asian region. In the changed significance of the region for the US, Thailand will likely have a lesser role to play. The cut in US aid last year, and Kissinger's reluctance to assure Thailand of continued US protection, has brought home to the Thai regime some home truths about US relations with countries such as itself.

Big Powers

Spurious Talk of Peace

THIRTY years ago German fascism was defeated. In this the people of the Soviet Union played the central role. They made enormous sacrifices: 20 million people died or were wounded. It is fitting that the anniversary of this glorious victory against the forces of reaction should be celebrated and the people of the Soviet Union honoured.

The present leaders of the Soviet Union are eager to claim the prestige that is due to the Soviet people for their historic role. But, at the same time, they are also doing all they can to erase the real memory of this struggle from the Soviet people's consciousness. Historic Stalingrad, where the fascist armies tasted defeat in a battle which was the turning point of World War II, no longer bears the name of the person who led the Soviet armies at this time and planned this battle, *viz*, Stalin. The monument which has been set up to the memory of the battle of Stalingrad shows a mother grieving over her dead soldier son. In this way it is not all that was glorious in Stalingrad but the emotion of the horror of war that is made the central point.

War does cause grief and the aim of socialism is to eliminate war from human society. But in order to eliminate war we must understand the basic causes of war in the present epoch. The two major wars of the twentieth century have been the result of the rivalry between several Great Powers striving for hegemony. In addition, the imperialist powers have continually waged wars of aggression to subjugate the peoples of Asia, Africa and Latin America. Opposed to these have been the wars of the oppressed peoples of the world for national liberation and social revolution. Thus, the basic cause of war in the modern world is imperialism which is aggressive by nature and seeks to subjugate the world. The way to oppose the unjust wars of imperialism is by waging the just war for national liberation and socialist revolution. Thus, the way to end war is through revolution.

As against the above understanding, imperialists and their agents have continually put forward theories of "pacifism" to disarm the people and make them defenceless against imperialist aggression. Of course, while talking peace they feverishly prepare for war. This is one of the lessons of this history of imperialism.

At the beginning of the 20th century, Germany began to challenge British imperialism's world supremacy. Germany began building a powerful fleet. Confronted by this challenge, Britain began building a new type of warship, the so-called "Dreadnought." In their struggle for naval supremacy, Britain and Germany discussed several times the question of limiting naval armaments. But while mouthing words like "disarmament" and "peace", both countries actually spared no efforts in expanding the armaments until the outbreak of World War I.

In copybook fashion, the leaders of the present great powers are now mouthing the same phrases of "limitation of arms". In their statement on the 30th anniversary of the defeat of fascism, the leaders of the CPSU pledged their efforts "towards creating an atmosphere of confidence in mankind's peaceful future, towards upholding a stable and lasting peace on earth". By talking of a "stable and lasting peace on earth" they hope to hide the fact that it is the contention between the super powers for hegemony that is the main danger to world peace

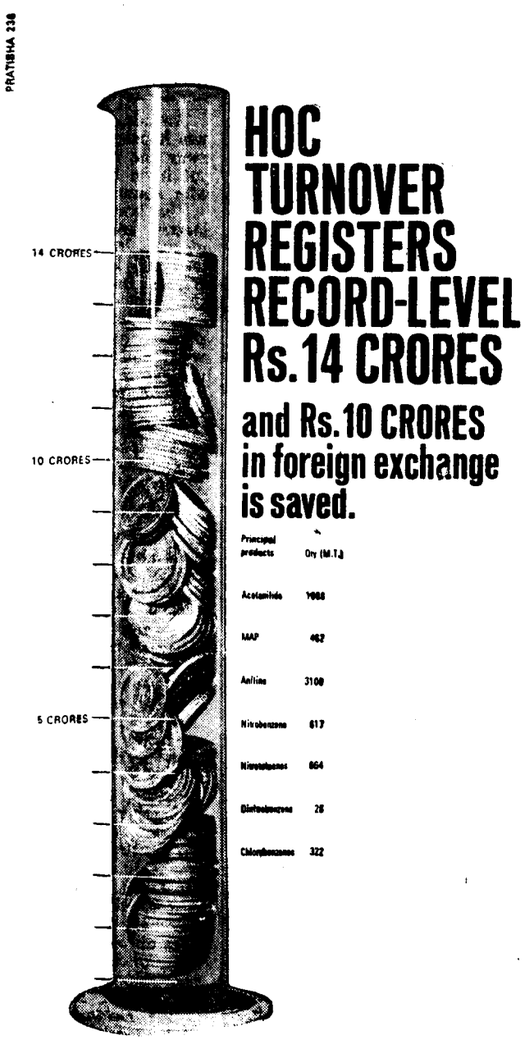
Contending for world hegemony, the US and the Soviet Union are feverishly trying to gain an edge over the other in strategic nuclear weapons and to gain command over the world's oceans. Under the guise of disarmament the two super powers have for many years continued the Strategic Arms Limitation Talks (SALT). In strategic arms the Soviet Union has a lead in numerical terms — their 'deliverable explosive power' is more than twice that of the Americans. But the Americans have a lead in the number of multiple warheads (MIRVs) and in the greater accuracy of their weaponry. During the course of the negotiations each side has tried to limit the other side's lead and maintain its own lead. In the SALT I agreement the Soviet Union was allowed a lead in missile launchers in return for agreeing not to challenge the US's lead in MIRVs.

But every such agreement only serves as the basis for renewed and intensified contention. Since it is inevitable that the balance of forces would change, a new agreement becomes necessary as the power which has relatively strengthened itself would certainly not agree to the earlier limitation placed on it.

In the years since the signing of SALT I the balance in numerical terms has swung further in favour of the Soviet Union. In the year 1974-75 the Soviet Union increased the number of ICBMs by 48 and of SLBMs (sea launched ballistic missiles) by 92. While the US numbers have remained constant since 1967 (ICBMs 1,054 and SLBMs 565) the Soviet Union now has 1,575 ICBMs and 720 SLBMs. ("The Military Balance, 1974-75", International Institute of Strategic Studies.)

The Soviet Union has also developed new rockets, which would almost double its present nuclear capacity. Four new ICBM systems are under development and have been tested with MIRVs. Alarmed at these developments the US has been increasing its lead in number of warheads and accuracy. New systems have been developed, particularly in SLBMs.

While feverishly continuing to arm themselves, both super powers are talking peace and carrying on with the game of the Arms Limitation Talks. The old agreement is due to expire in 1977 — but it has already been rendered obsolete by the uneven development of the two super powers and their contention for world hegemony. And it is from the contention between the two super powers for world hegemony that the main danger of a new world war arises.



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Calcutta Diary

A M

READ the story of Govinda Samanta, a *raiyat*, and his lord, the *Zamindar* of Kanchhanpur:

"One morning as Govinda was sitting at the door of his house, smoking and engaged in thought, he was accosted by a person who had a thick bamboo club in one hand a bit of paper in the other. The person who came up to Govinda was of stalwart size, being six feet in height, with a pair of moustaches which joined the whiskers descending from the temples, and a thick beard brushed upwards. It was evident from his dress and features that he was not a Bengali but a native of the North-Western Provinces. Hanuman Singha, for that was the name of the person who accosted Govinda, was one of the officers, or *nagodis*, of the *zamindar* of Kanchhanpur, whose business was to bring them over to the *gomasta*, who received rent and gave receipts.

"And what is that in your hand, Hanuman Singha?" asked Govinda.

"In this paper is put down your share of the *mathot* which is being levied from every *raiyat* on account of the approaching marriage of the son of the *zamindar* in February next."

"*Mathot*! dear me! how can I pay *Mathot*, when I am in arrears to the *Zamindar* for rent and largely in debt to other parties, chiefly on account of the funeral obsequies of my father and grandmother?"

"It is not much you will have to pay; and besides it is only once in a way, as the Raya Chaudhuris's son is not going every now and then to get married. You, along with other *raiyats*, are to pay only two annas for every rupee of rent you give to the *Talukdar*. The amount of your rent is forty rupees per annum, and surely it is not too much for you to give five rupees."

"My dear sir, I am not in a position now to give any *mathot* or *abwab*. It is all very well for well-to-do persons to pay their cesses. But surely the *Zamindar* ought not reasonably to expect me to pay anything of the sort, since I am now in great distress. You speak of five *takas* not being too much, I cannot give five *cowries*."

"But you must give. It is the order of your *zamindar*. Anyhow, you must produce the five rupees either by begging, or borrowing, or mortgaging the ornaments of your wife, or selling your brass vessels."

"You go and tell the *gomasta* that I am unable to pay."

"What a fine fellow you are! You have become wiser than your father, who regularly paid every *mathot* demanded by his landlord. Come now, and get me the five rupees."

"Am I joking with you, Hanuman Singha? I have no money in the house. If you make a diligent search through the house you will not find even five *payasas*. Go and tell the *Zamindar* when I have means I'll pay; at present I can't pay."

"Well then, you yourself come and tell the *zamindar*. And if you don't come willingly, I have orders to take you by force."

Govinda, perceiving that resistance was hopeless, agreed to go. He put away the *hookah*, took his *gamchha*, put it on his left shoulder, and went with Hanuman Singha.

The house of *zamindar* was the largest and best building in the village. Its entrance faced the south, like most houses in this part of Bengal, as the object is to avoid the sharp, cold north wind in winter, and to get the benefit as much as possible of the delicious south wind which blows during summer. The outer gate of the mansion was built of solid masonary, with a colossal door of sal wood, studded with huge nails, surmounted with the figure, in stucco and plaster, of a lion. As you go within through the gate, you see before you a courtyard of about sixty feet square, on the north of which is a large hall, and on the east and west suites of small rooms, extending from the sides of the hall, and meeting the long and high wall in the middle of which is the gate. This part of the house, including the courtyard, the hall, and the suites of rooms on the sides, is called *Kachhari-badi* (Cutcherry-house), where the *zamindar* holds his court and transacts all affairs regarding his *zamindari*. The hall is covered with *satranjas* or Indian carpets, in the middle of which sits the *zamindar*, propped up by pillows on all sides; the *divana*, the *gomasta*, and other officials squatting at distances varying according to their rank. Beyond this hall, and further to the north, is another courtyard of equal area with first, in front of which is a spacious hall, called the *dalan*, supported by arches, and on the two sides of which are covered verandahs, two stories high, consisting of several small rooms. This part of the house is called the *Bahir-badi* (outer-house), or the *Dalan-badi*. The *Dalan*, properly so called, is used only on great religious festivals; the images are placed there, and all sorts of dramatic and pantomimic exhibitions are made in the open courtyard below, which on such occasions is covered with a large cloth canopy, called *chandratapa* or moon-shade. The hall of the *Kachhari-badi* opens into the courtyard of the *Dalan-badi*; but the regular entrance into the latter is by a lane on the left of the hall. Beyond the *Dalan-badi* is a third courtyard of exactly the same area with that of the other two, which is built round on all sides with covered verandahs similar to those in the *Dalan-badi*, two stories high, containing a large number of small rooms, with very few windows. This part of the house is called the *antahpura*, or the *andar-mahal*, or the *zenana*, properly so called. There are the women's apartments, visited only by the light of the sun.

Govinda passed through the lion-gate of this huge pile of brick and mortar, walked on to the door of the hall, and putting his sheet round his neck, made obeisance to the *zamindar*, who was leaning on one of those bolsters called *takias*, but which looked more like a huge bale of cotton than a pillow.

The *zamindar* was a large-built man, taller than ordinary Bengalis and proportionately corpulent. He was sitting like a lion couchant. His eyes first attracted the notice of every one that approached him. Bright, large and rolling, they seemed to be sending forth every moment flashes of lightning rage; and the sturdiest peasant of Kanchhanpur has confessed that there is no standing the fire of those two dreadful batteries. His voice was singularly powerful, of immense volume, and sounded, when he was in a tempest of rage, like the artillery of heaven. The silver streaks in his hair showed that he was between forty and fifty years of age. Jayachand Raya Chaudhuri (for such was the name of the *zamindar* of Kanchhanpur) was, strictly speaking, not a *zamindar* but a middle man, for he only held a *Pattanitaluk* under his Highness the Maharaja of Vardhamana; but though he was only a *Pattanidar*, he was usually called the *zamindar* of Kanchhanpur and of scores of other villages lying round about. He paid 2,000 rupees a year to the Maharaja for the village of Kanchhanpur; but it was generally believed that he himself realised in rents about three times that amount. For the whole of his *zamindari*, or rather *pattani*, he gave eighty thousand rupees to the Raja, but he himself has admitted that after paying the *Sadar Jama*, his own net profit amounted to the round sum of two lakhs, or £ 20,000 a year. Such immense profit could only be obtained by a system of rack-renting, of illegal extortion, and of cruel oppression; and it must be admitted that Jayachand belonged to a class of zamindars who were the greatest curses to their country. Not having had the benefit of an English education, unacquainted with Sanskrit, and possessing only a smattering of his mother tongue, he was an ignorant man; and the natural selfishness of his character made that ignorance dangerous to those husbandmen who had the misfortune of being his tenants. Unscrupulous in his character, he did not hesitate to have recourse to any means, however illegal or dishonourable, to screw out of his *raiyats* as much money as he could. Of the *Haptam* and the *Pancham* he often took advantage; and many were the *raiyats* who were ruined by his oppression. By forgery, by chicanery, by all sorts of fraud — for Jayachand stuck at nothing — he deprived many a poor man of his *lakhraj*, and though by religion a Hindu, he did not hesitate to rob many a poor *Brahmana* of his *Brahmotra*. He was the object of universal dread. His name was never pronounced by his *raiyats* except with execrations; and he was so much feared that it is said that at his name the tiger and the cow drank water at the same *ghat*. Such was the man in whose presence Govinda now stood with folded hands, and with his sheet round his neck.

"Who is there?" asked Jayachand Raya Chaudhuri, of his *divana*.

"He is Govinda Samanta, the son of Badan," answered the *divana*.

"He is the son of a worthy father. What does he want?"

Hanuman Singa, advancing in front, said, "Maharaj, he refuses to pay the *mathot* for the marriage of your worship's son. I have therefore brought him before Khodawand."

"Refuses to pay *mathot*! Is there any *raiyat* of mine who dare refuse to pay any *mathot* I choose to impose? Did you not say he is the son of Badan Samanta? Badan was one of the best and most obedient of my *raiyats*. Is this fellow his own son? Who has put such high notions into his head?"

The *divana* now whispered to his master that he had heard Govinda had as a boy attended the lame schoolmaster's *pathsala* for some years. The *zamindar*, darting a fierce glance on Govinda, said, "So you have become a *Pandita*, and your eyes have got opened, therefore you refuse to pay the *mathot*. I must forbid Rama Rupa to teach any peasants' sons; if he persists in doing it, I must break his other leg, fool that he is."

Govinda said in a faint voice, "O, Incarnation of Justice! I have not refused to pay. I dare not refuse. I only said I am unable to pay at present. On account of the funeral ceremonies of my father and grandmother, I have got largely into debt, and my rent will be again shortly due. I will pay the *mathot* afterwards, when I am able."

"Now, hold you tongue! This is my order. Within three days you must pay the *mathot*. If you fail to pay within that time, you shall be brought here with your hands tied. Remember that...."

This depiction of the confrontation between Govinda and his landlord is of course excerpted from Lal Behari Day's "Bengal Peasant Life" published exactly a century ago. Things have hardly changed much during these hundred years. Bengal — or the bit of it one observes from Calcutta — is still a world dominated by *pattanidars*, who now dominate not just the villages, but the urban metropolises too. Area after area is franchised and sub-franchised in a vertical arrangement. Simultaneously, there is a kind of horizontal allotment too: some *pattans* concern community worships, some relate to organised sports, some are with respect to educational institutions, yet others cover the holding of examinations. You buy franchise — *pattanitaluk* if you like — from the Maharaja, the ruling party if you like. It is up to you then to decide how to collect the *mathot*. *Nagodis*, such as Hanuman Singha, have many incarnations, and the thick bamboo club has been joined by many other gentle instruments of persuasion — a flick knife, a pipe gun, a plastic bomb, going all the way to semi-automatic guns. There is a certain rusticity in all this, a certain crudity. The pantomime of rack-renting is the one outstanding

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aspect of unchanging Bengal. Those who succeed in manoeuvring themselves to power keep collecting *mathot*: the law of feudalism, unscathed, unharmed, asserts itself in each area and *mohalla*, and the fief gets duly collected.

Our laird gets in his racked rents,/ His coals, his kain, an' a' his stents;/ He rises when he likes himsel;/His flunkies answer at the bell. The flunkies always answer at the bell. To ensure that insubordination of the species Govinda Samanta was guilty of does not spread, the Rama Rupas continue to be forbidden to teach any peasants' sons.

This classical model of exploitation ought to have shown some wear and tear in the course of the hundred years. Like it or not, it has not. And, in one's fuzzier moods, one almost comes to believe that even another hundred years will not make the slightest difference. That would be an anti-historical thought, and deserves to be discarded. Admittedly. But how does one explain the stillness of the past one hundred years? The Reverend Lal Behari Day might as well have been describing a village scene in today's Calcutta: for the bamboo club, read the flick knife, patent held by the Youth Congress.

CAPITAL VIEW

Critical June — and Onwards

Romesh Thapar

PROBABLY, the coming month of June will be more hectic and politically tense than any previous June. The Gujarat elections — even though they seem to be going according to the familiar ruling Congress plan — could still throw up a surprise result. Judgment on the election petition against the Prime Minister is to be delivered in Allahabad before or after the Gujarat elections, and speculation over it could not be more intense within the party or outside. And, of course, during June, we will get an idea about monsoon prospects and price fluctuations. Add to all this the usual alarums, and we have an overloaded month.

This election year, if it may be so-called, hasn't started too well. Aryabhata, described as a 'signal' achievement of Indian science even though it was essentially a Soviet creature, malfunctioned on the fifth day — or so we have been told officially after many days of deliberate misinformation and double-talk. If Aryabhata was some kind of extraordinary breakthrough in the art of war, dishonesty in public statements could have been justified. In our own context, the whole business smells of costly amateurishness. And, by God, the power had to fail!

Smugglers Re-emerge

The smugglers are again operating along the west coast, and with renewed confidence now that the judicial system has stressed its role to protect those who live on legalistic violations and corruption, which cannot be easily stamped out. A variety of brains are at work to plug the legal loopholes, but increasingly the exercise takes on the dimensions of a threat to the freedom to dissent of the honest citizen. Why we fail to improve action against smuggling, is the question that remains unanswered.

Naturally, with governmental incapacities highlighted, prices are again pushing upward. Of course, there is always a seasonal rise during these months, but one can understand the nervousness in the Ministry of Finance. We can only hope that the panic will not push our bureaucratic 'babus' into measures which restrict or disrupt essential production. The economic paralysis, in terms of growth, may yet be tackled if the system works hard enough to be creatively selective in the release of funds and raw materials. Too many decisions emanating from the GOI are, unfortunately, across the board decisions.

Little Change in Style

The impact of the election year on the management of the nation is also none too healthy. Senior bureaucrats are now 'bending the knee' to get extensions, and also jobs after retirement. A whole bunch of these men are playing this game in Delhi, and causing deep demoralisation throughout the administration. Short-term appointments to keep key personnel 'under pressure', three-month assignments to critical points like the Reserve Bank, repeated extensions to persons whose jobs are sought after retirement by men who also keep getting extensions, have become a feature of the manipulation of administration in an election year. It appears that there will be little change in the style until March-April next year.

Meanwhile, the organised working force, whether officer or otherwise, is slowly getting the feel of opportunity in this election year. In fact, it is surprising that this privileged class has not moved into action already. Either that the general crisis and the toughness shown during the railway strike has discouraged the silent majority and made it more cautious, or the closer we get to the election the more the fireworks will develop. A great deal of speculation continues around the possible postures of India's employed millions. Maybe, the strike in Maharashtra is a forerunner. It certainly proves that, in our present mood of 'no decision, no policy', a state can run without an administration!

The discussion in political circles moves in familiar grooves. We are back to the thesis that, if the ruling Congress manages a split vote victory in Gujarat, and if the monsoon behaves, Indira Gandhi will take the plunge and order a general election in October. The idea is certainly attractive. And, what's more, the country will be salvaged from some six months of rotten democratic politics. We may even save a great deal of money, because there will be less time to come to financial deals and to collect brokerage.

Uncertain Feeling in Congress

The betting on Gujarat is that the ruling Congress will gather some 100 seats. If the result is more marginal, Independents will cross over after the usual persuasion. What is really significant is the general feeling within the ruling Congress, that something be done to win over the Congress(O) leader, Hitendra Desai. He is not standing for election. He has serious differences with Morarji Desai. And he is widely respected for his honesty and ability.

This faltering faith in honesty and ability among the ruling Congress at the Centre is difficult to explain. Nevertheless it remains a plus factor for many. If the faith holds, it may just about fix the future of the charlatans — who are visible everywhere and who play with power at critical points during an election year.

And, finally, a passing thought. Do we have to get so patriotic over the British decision to test the abilities of the doctors who migrate from here? How are we interested in this rootless crowd? And haven't we enough experience of deteriorating standards? When will we grow up ....

May 26

Preference for 'Home' Market

Hansavivek

SHALIMAR PAINTS has been given a 'letter of intent' for setting up a new factory in South India on the condition that it will export paints of the value of Rs 36 lakhs per annum. It has since also received the industrial licence, but "in view of the present unsettled international economic conditions and also the continuing inflationary pressure", the directors now consider that it is not prudent to set up a new factory with the burden of this condition. The company has gone on to make a representation to government that this condition of export be deleted, and is awaiting a decision on this. The 73-year-old company which is a subsidiary of the internationally known Courtalds, has had a poor export performance. Out of total sales of Rs 937 lakhs in 1974, its export of goods — including to Nepal, Sikkim and Bhutan — amounted to just Rs 15 lakhs. In the previous year, exports aggregated Rs 17 lakhs out of total sales of Rs 761 lakhs. The company consumed imported raw materials worth Rs 66 lakhs in 1974 and Rs 95 lakhs in the previous year. As against this, it remitted about Rs 4 lakhs in foreign exchange by way of dividend for 1972. The fall in exports in 1974, according to the directors, was partly because the company was unable to accept orders at internationally competitive prices and partly because of the spiralling of prices of indigenous and imported raw materials. It is stated that it was thought inadvisable to accept orders at 'abnormally low prices' as this would not only have resulted in losses but would have also weakened the company's position to obtain a reasonable price from foreign buyers in the future.

During 1974, the company produced 6,681 kl of paint against 8,526 kl in 1973. The installed capacity, however, was 11,273 kl and the licensed capacity even higher at 14,204 tonnes. The higher sales in 1974 were largely the result of higher selling prices, which enabled the company to lift its profit-margins considerably. Dividend, lowered by a point to 9 per cent, was covered over threefold — against 1.2 times previously. The directors say that, until the month of June last year, prices of all raw materials — indigenous as well as imported — continued to rise steeply. There was also acute shortage of some of the essential raw materials, particularly titanium dioxide rutile. The company has been directing research and development activities towards finding suitable and economical substitutes for scarce raw materials and developing durable coatings so that the domestic demand may grow.

GUJCHEM DISTILLERS INDIA (formerly Sardesai Brothers) has implemented the renovation and modernisation programme of its plants and expan-

The Week's Companies

(Rs in Lakhs)

	Shalimar Paints		Gujchem Distillers		Alembic Chemical		Wandleside National	
	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 31-12-74	Last Year 31-12-73
Paid-up capital	145	145	73	50	360	360	20	20
Reserves	75	47	80	43	233	237	7	4
Borrowings	117	129	105	95	608	593	91	89
of which Term borrowings	2	12	22	15	69	66	—	—
Gross fixed assets	119	111	158	122	1195	1115	70	65
Net fixed assets	48	50	104	79	515	510	73	21
Investments	—	—	—	—	76	76	2	2
Current liabilities	164	176	34	56	445	320	43	47
Current assets	459	449	188	165	1056	925	130	130
Stocks	251	182	88	51	597	505	80	64
Book debts	143	174	84	114	406	377	54	70
Net sales	870	698	297	203	1907	1660	191	160
Other income	3	7	2	1	16	16	1	1
Raw material costs	507	447	190	130	654	596	143	110
Wages	135	116	21	15	228	182	19	18
Interest	13	12	13	7	76	68	10	5
Gross profit (+)/loss(—)	136	52	54	29	133	123	8	6
Depreciation provision	5	5	10	8	78	74	3	3
Tax provision	90	29	—	10	27	25	—	—
Net profit (+)/loss(—)	41	18	22	11	28	24	5	3
Development rebate provision	1	—	1	1	8	6	—	—
Transfer to reserves	27	3	15	4	12	—14	3	—
Dividend								
Amount	E 13	15	E 6	6	P 1 E 7	1 31	E 1	—
Rate (per cent)	E 9	10	E 12	12	P 6.50-6.94 E 2	6.50-6.94 9	E 5	—
Cover (times)	3.07	1.20	3.50	1.66	2.41	0.55	4.00	—
Ratios (per cent)								
Gross profit/sales	10.63	7.45	18.18	1.29	6.94	7.41	4.21	3.75
Net profit/capital employed	12.16	5.61	8.53	5.32	2.33	2.02	4.23	2.65
Inventories/sales	28.85	26.07	29.63	25.12	31.77	30.42	42.10	40.00
Wages/sales	15.52	16.62	7.07	7.69	11.95	10.96	9.95	11.25

sion of its capacity in the various departments. These will start giving reasonable returns in the coming years. The company is also setting up a plant for manufacture of acetic acid, based on ethyl alcohol, with an installed capacity of about 3,000 tonnes per annum. The company has entered into an agreement with Indo Berolina Industries for knowhow, plant, engineering and design. The plant, being put up in the notified 'backward' district of Bharuch in Gujarat, is expected to be commissioned in the first quarter of 1976. The company has produced good results for 1974, with higher sales and enhanced margins. Sales were about 46 per cent higher, but gross profit expanded by about 86 per cent. Net profit doubled to Rs 22 lakhs, so that dividend was maintained at 12 per cent, which is also payable proportionately on the new shares, is covered 3.5 times against less than 1.7 times previously. The company offered 9,290 equity shares, of Rs 100 each, as 'rights' to existing shareholders and also made a public issue of 15,000 cumulative redeemable preference shares, of Rs 100 each, carrying right to fixed dividend of 11 per cent. The allotment of shares was made after the close of the year. With better supply position of molasses, the company could obtain a production of about 4.27 ml litres last year, against the installed capacity of 6 ml litres per annum. The cost of production continued to rise all round and the company revised its selling prices. In the last quarter of the year, recessionary conditions prevailed in the chemical market and production of major items had to be curtailed. The company earned foreign exchange worth Rs 4 lakhs through export of goods, but as against this the value of imports of raw materials aggregated Rs 10 lakhs.

ALEMBIC CHEMICAL was able to step up net sales by about 15 per cent during 1974, but its gross profit could rise by only 8 per cent, as it had to experience all-round rise in costs. Net profit amounted to Rs 28 lakhs (Rs 24 lakhs); but in view of the restrictions on distribution, dividend has been slashed from 9 per cent to a mere 2 per cent. The revision of prices under the Drugs Price Control Order was granted by government in some of the products towards the end of the year. The benefit of this increase was available for a short period during 1974 and was inadequate to have any significant effect on the overall working results of the company. The current year should find full reflection of this benefit, if costs do not increase further. The 68-year-old company earned Rs 30 lakhs in foreign exchange, but consumed imported raw materials, spare parts, and components, worth Rs 32 lakhs. The subsidiary, Paushak, fared very well during 1974. Its sales advanced from Rs 148 lakhs to Rs 463 lakhs and it earned a net profit of Rs 34 lakhs, against a loss of Rs 3 lakhs in the previous year. It did not earn any foreign exchange, but consumed imported raw materials, spare parts, components, and packing materials of over Rs 145 lakhs. It is paying a dividend of 12 per cent. The technical problems in the solvent extraction plant have been solved and the company is in a position to manufacture soyabean meal powder to ISI specification. The plant could not be run continuously because of limited demand in the market. The formulation plant at Panelav has been started. Work on the basic manufacture of carbaryl is in progress.

WANDLESIDE NATIONAL CONDUCTORS is paying a five per cent dividend for 1974, after absence of seven years. The last payment was at 15 per cent. The company has shown improved results with higher sales and profit, although it had to contend with scarcity of raw materials in the first four months of the year and slack demand for paper-covered conductors and enamelled wires which constitute the mainstay of the production of the plant. The management complains that the general rise in prices of almost all inputs was so steep that prices of end-products went completely out of alignment with their cost of production. The company proposes to embark upon a modest diversification programme, by undertaking manufacture of different kinds of enamels and other insulation materials. Licences are being sought for this purpose. Meanwhile, borrowing powers of the directors are being stepped up from Rs one crore to Rs 1.5 crores. The directors feel that, if the necessary finances and raw materials are made available, the company would be able to achieve better utilisation of plant capacity which would, in turn, improve profitability of operations. Government has assigned a high priority for power generation and its distribution and they envisage a spurt in demand for the company's products — which already enjoy a high reputation in the market. They, however, find it difficult to make any reliable forecast for the current year in view of the various uncertainties. A new wage structure is currently under negotiation, since the previous agreements came to an end on December 31, 1974.

STEEL AND FASTNERS, a new company, is setting up a project at Ghaziabad in UP, to manufacture annually 2,330 tonnes of high tensile bolts, nuts, and screws. The project is estimated to cost Rs 194 lakhs, which is proposed to be met by share capital (Rs 70 lakhs), loans from financial institutions (Rs 116 lakhs) and from promoters (Rs 8 lakhs). A public issue is being made to raise Rs 46 lakhs, by offering 3.6 lakh equity shares of Rs 10 each, and 10,000 cumulative redeemable preference shares of Rs 100 each carrying right to fixed dividend of 11 per cent per annum. The subscription list will open on June 4, and close on June 14, or earlier, but not earlier than June 7. The public issue is managed by FNCB's management consultation division. The company expects to commence production by September 1975. The capacity of the plant is intended to be stepped up to 4,000 tonnes per annum in the second phase of the project. Meanwhile, the imported plant is to be shipped from West Germany next month. According to K L Chowdhary, managing director, the company should be able to utilise 60 per cent of the plant capacity in the first year of production, 70 per cent in the second, 75 per cent in the third and 80 per cent in the fourth year. He estimates turnover to increase gradually from Rs 150 lakhs to Rs 202 lakhs, and profit after tax from Rs 12 lakhs to Rs 29 lakhs during this period. The present installed capacity of fasteners is about 17,000 tonnes, while demand is expected to go up to 30,000 tonnes by 1978. Looking to the growth of high tensile steel fastener manufacturing units in recent years, in particular GKW and Fit Tight Nuts and Bolts, the new company holds out promise of good performance. The directors hope that the company will be able to pay a reasonable dividend out of the profits of the second year of production.

NEW DELHI

Indo-Soviet Economic Co-operation

B M

INDO-SOVIET trade and economic co-operation have run into several snags in recent times. In the form in which these relations have been maintained so far, they have reached a virtual stalemate. New initiatives are, therefore, called for if that trade is to expand and new areas of co-operation are to be productive. The new five-year trade agreement which is to be signed before the end of this year — and negotiations for which have been going on for quite some time now — should aim to incorporate these fresh initiatives.

The idea of co-operation between the two countries for purposes of production in certain lines assumes considerable importance in this context. The idea has not been given concrete or viable shape till recent months. It was the work of the Indo-Soviet Commission and its sub-commissions — especially the second session of the 'planning group' of the two countries in last March — that prepared the groundwork for a significant breakthrough in this respect.

A high-powered group has now been constituted to push such a production programme through. It includes the Minister of Industry, T A Pai, the Planning Commission chief, P N Haksar, and the Commerce Minister, D P Chattopadhyay, and it has the Secretary of the Ministry of Heavy Industry as its Secretary. The group held its first meeting last week, when the Minister-Ambassador to Moscow, D P Dhar, was present in New Delhi to advise the group.

Some incipient beginnings in a common production programme of India and the USSR have already been made. Thus the surplus capacities in Soviet-aided projects here have been used to produce items which could be used in the Soviet economy. But the perspective for such co-operation in production has now assumed new dimensions and includes production for supply to third countries too. Here, of course, there will remain the problem for India, of finding matching credits on terms similar to those which the Soviet Union itself offers to the third countries.

Co-operation in production programmes obviously cannot be formulated independently of the framework of trade between the two countries. It must, therefore, figure in the long-term trade agreement which is being negotiated. The Soviets have evolved the concept of 'compensation' in production co-operation. This implies that whenever a joint production unit is set up, production from it should be shared by the partners, the contribution by either side being paid for in this way.

This raises a host of problems, however. While the concept itself is not altogether novel — and is in fact practised by multinational companies, especially in the field of oil — India is hoping to use it to bring about a fundamental change in the composition of its exports to the Soviet Union in favour of the non-traditional items.

Discussions between the Gosplan and the Planning Commission, in March this year, have greatly advanced the move towards co-operation in production programmes. Some 15 to 16 specific areas for such co-operation have been identified. The new high-powered ministerial group has been charged with the task of developing specific project proposals — in five to six areas to begin with. The group, at its meeting last week, formally decided to prepare detailed blueprints of these projects as early as possible.

At the joint meeting of the two planning groups last March, some aims and principles that are to underlie the joint production programme were agreed to. They are unexceptionable, indeed: optimum use of natural resources, capital skills and technology of both countries; rational use of the international division of labour aimed at specialisation of production; overall balance which would add to and promote trade turnover; and lastly exchange of goods and services under it based on world prices. The point to note is that we have never shown very sharp acumen in working out such principles in practice to our advantage. In fact, to work them out into specific projects will pose many problems.

The scope of the joint production programme has been defined as follows: co-operation in setting up enterprises on (in Soviet parlance) compensation basis; mutual supplies among the units of machinery, equipment and services, units and parts, within the framework of the co-operation; co-operation in supply of equipment for industrial projects in third countries; and conversion deals — depending, of course, on the capabilities and the availabilities of capacities or their planned expansion.

More revealing than these general principles was discussion between the planners of the two sides on the specific areas of production co-operation. At the top of the list of the 16 areas identified stands mica. The Soviet side offered assistance in the production of mica — a part of which would go to the Soviet Union in payment of Soviet assistance. The Indian side accepted this if the project encompassed fabricated mica. The Soviet side similarly showed interest in setting up production capacities, on the same basis, for caustic soda, fluorspar, flourine chemicals, and non-ferrous metals.

The Indian reaction to the Soviet proposal for the setting up of a caustic soda plant in India was that while the entire investment of equipment and services by the Soviets would be recovered in a rather short time, the repayment of the Soviet contribution through supply of finished products from such a unit could be spread over a much longer period if the Soviet Union were to extend "not only supplies of equipment [for the project] but also goods to cover the entire cost of the project". By this arrangement, not only would the foreign exchange component of the project be covered by supplies from the Soviet Union but so also would its rupee cost be covered by the Soviet Union. The Indians also pointed out that, in addition to caustic soda, the plant should produce chlorine and hydrochloric acid as a by-product and that as this additional output would be surplus to Indian requirements, the project viability would depend upon the willingness of the Soviet

Union to accept the project's entire production.

The question of setting up, in the USSR, on compensation basis a pulp and paper plant was also considered. The Indian side offered to supply some of the equipment, including complete plant with a capacity of upto 200 tonnes per day, as well as the structurals and other auxiliaries. The Soviet side agreed to consider this proposal, as also production co-operation in manufacture of wood-based products.

The Indian side seemed very keen on a conversion deal in cotton. Capacity was proposed to be reserved for the manufacture of textiles and ready-made garments for supply to USSR, and some textile units in the public sector were proposed to be selected for this purpose. It was suggested that, besides cotton, equipment to modernise and renovate machinery would also be obtained for the USSR. The Soviets agreed to consider the proposal; but when the Indian side suggested a similar conversion deal for woollen textiles, the Soviet side politely turned it down.

Politics of Political Execution

Mohan Ram

IN THIS, the International Women's Year, none but the male chauvinist would grude the mid-term reprieve granted to Shamim Rehmani who had been sentenced to life for an act of murder certainly not motivated by any larger public interest. The social standing and the high-level political connections of the Rehmani family (a brother of Shamim's was secretary to Fakhruddin Ali Ahmed, when he was Food and Agriculture Minister) were factors that had helped to gather the group of MPs, led by Parvathi Krishnan of the CPI, to take the initiative for the reprieve. The Press was quick to glamourise Shamim Rehmani and cast her in the mould of a heroine in the cause of some vague brand of socialism. Indeed, Shamim has even been offered a role in a film.

The speed with which the State granted reprieve to Shamim Rehmani contrasts disquietingly with the procrastination that attends the action on the growing public demand for the commutation of the death sentences on two Andhra Pradesh Naxalites. A cynical and revengeful brief, prepared by the Home Ministry's bureaucrats, had advised the President to reject their petitions for clemency and to give clearance for their hanging. All was set for the execution of Bhoomiah, aged 48, and Kista Gowd, aged 45, in the early hours of May 11. The timing of the execution was a secret, but it got leaked out. The fact that the Presidential order rejecting their petitions had not been communicated to the condemned, provided the legal opening for action by three young laywers to present writ petitions at the residences of two Andhra Pradesh High Court Judges just a few hours before the scheduled executions. And they got the executions stayed.

The petitions are now to be heard on June 9, when the court reopens after its summer vacation. Earlier, on November 26, the hour had been set for their execution, but a last-minute effort by CPI leaders C Rajeswara Rao and N Rajasekhara Reddy stayed the execution. The Chief Minister, J Vengala Rao, was in New Delhi when it became known that the executions were to take place within a few hours and, after a flurry of telephone calls from Hyderabad, the two CPI leaders who were in New Delhi prevailed upon the Chief Minister to have the executions stayed.

Bhoomiah and Kista Gowd belong to the most oppressed section of Indian society. They were active participants in the Telengana peasant armed struggle in the late forties. Kista Gowd served a two-year sentence in connection with the movement. Both he and Bhoomiah joined the CPI-ML in the late 1960s, and were sentenced to death in connection with a guerilla squad action which took place in April 1970.

Since Independence, no political worker has been executed excepting Gandhi's assassin Nathuram Vinayak Godse. However, as many as 108 communists were given death sentences in the erstwhile Nizam State, by special tribunals, in connection with the Telengana armed struggle. One of them was actually executed before the Nizam State acceded to the Indian Union. On January 22, 1950, 12 prominent communists were to be executed, but a powerful international campaign — from Peking to London — stayed the execution. Once the Constitution of India came into force, thereafter, it became possible to go in appeal in most of these cases. None was hanged. There was a lone death sentence in Kerala, but when the Communists came to power in that state in 1957, one of their first acts was to get the sentence of Vasudevan Nair commuted. There was another case, of Balan, in Tamil Nadu. His sentence too was commuted. It must be noted that, except for Godse the only political workers to have been given death sentences happen to have been communists, and that public opinion has so far prevailed upon the government not to hang any.

In the Naxalite phase of the communist movement, the case of Nagabhusan Patnaik is better known. Patnaik, a lawyer by training, refused to participate in the trial to defend himself, to go in appeal, or to enter a plea for clemency. For three years, the government carried on a psychological war against him. He was lodged in the 'condemned' ward, to wake up every morning for three years with the thought that he would be hanged that day. In the end, the government gave in; the sentence was commuted following a Cabinet decision.

However, a less well known case raised the most relevant issue here — *viz*, whether, under the Indian Penal Code, a deliberate and planned killing by a Naxalite was different from a murder committed by any other person, and whether the fact that a political activist sincerely believed in political violence as the inevitable means towards ending social, political and economic oppression warranted the reduction of a death sentence to a life-term. The question was raised by two judges of the Andhra Pradesh High Court in connection with the death sentence on two Naxalites of Nellore district on whom the death sentence had been passed.

Like Patnaik's case, this one related to the murder of a landlord by CPI-ML functionaries, who believed in the theory of annihilation of the class enemy as a means to revolution. Two got death sentences, and one a life-term. At the trial stage all had pleaded not guilty, did not engage a counsel, did not cite or cross-examine any witness. They declared, like Patnaik, that they had no faith in bourgeois courts or their justice. When the services of a criminal lawyer were offered, the accused refused to instruct him.

After the sentences were passed, the third accused appealed against the life-term he had been given. This, as well as the trial of the other two sentenced to death, were taken up together. The High Court recalled some of the prosecution witnesses and gave the accused an opportunity to cross-examine them. What the Andhra Pradesh judges said on this occasion is of utmost relevance to the cases of Bhoomiah and Kista Gowd.

They said: "While it is true, on the one hand, that the accused killed an innocent person who had done them no harm, it must be borne in mind, on the other hand, that they did not act out of any personal motive but out of what they conceived to be a public motive. They had no personal animosity against the deceased and they sought no personal gain. The means of murder employed by the accused as a step to achieve their ultimate goal was certainly blameworthy but it cannot be said that their motive, according to their contention, was low or mean. While it is necessary to dictate that the dictates of conscience which leads to injury to others may also merit severe punishment, sometimes it is also necessary to recognise that people acting out of genuine and passionate motives according to their conscience do not merit extreme punishment."

But the law, mechanically applied as it is, makes no distinction between a common criminal and a political worker. Bhoomiah and Kista Gowd have a record of public service that goes back to the struggle of the Hyderabad people against the Nizam's autocracy. When the communist movement returned to its old militant phase in Telengana, the two joined the CPI-ML. The Constitution provides for Presidential prerogative to commute the sentences of even common criminals. But if the prerogative is not exercised in the case of two dedicated political workers that would be a damning indictment of this regime and the system that underpins it. It would be lacking in grace if the President were to wait for the outcome of writ petition before commuting the death sentences.

The larger issue, of the abolition of death penalty, remains. But even if the death penalty is not abolished, the government should refrain from applying it to political workers. Indeed, the campaigns to save the lives of Patnaik, and Bhoomiah and Kista Gowd, raise the very issue which the two Andhra Pradesh High Court judges had raised in the Nellore Naxalities case.

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NORTH

Where Spirits Command

BOOTLEGGERS have been known to prosper in states where prohibition is partially or fully enforced, or even where the demand for liquor far outstrips its supply. But, in Punjab, over the past few months, even as licences for liquor shops have been most liberally granted and large breweries have been set up with foreign collaboration, there have been disclosures that moonshining has been depriving the Punjab government of Rs 75-80 crores annually and that the business of illicit distillation continues to flourish despite the easy availability of 'official' liquor. Since Punjab means 'the land of five rivers', a gaint official hoarding near Ludhiana recently announced the state's 'sixth river' — *viz*, of liquor, especially beer. Following protests in the state Assembly, the wording was changed, but the fact remains that liquor is sold aplenty, each locality boasting at least a flourishing, duly licensed, liquor shop. The state's income, from the excise duty and other taxes on liquor, has gone up by 18 per cent in 1974-75 — from Rs 102 crores in 1973-74 to Rs 121 crores — which is indicative of the much higher consumption. The loss to the exchequer, nevertheless, because of the sale of illicit liquor is sizeable. According to an official estimate, about 70 million bottles of illicit liquor are consumed every year in Punjab, in addition to the approximately 30 million bottles of country liquor bought by people from licensed shops. Reports have it that from every bottle of country liquor sold at a licensed shop, the state government gets an income of about Rs 11. Occasional raids on illicit distillation dens in the villages and on the outskirts of the towns yield good results too, but the moonshiners continue to prosper by corrupting the excise officials, the police, and other allied agencies. In one raid, conducted about the middle of May in Amritsar district — where drinking of liquor has spread very fast even among women and students — 11,000 ml of illicit liquor and some barrels of 'lahan' were seized. But the authorities have seldom attempted a sustained campaign to check the illicit distillers. In fact, it is widely understood that whenever some arrests are made, bribing guarantees acquittals. Indeed, in some areas, every other betel-seller and petty tea-stall-keeper sells such liquor.

Haryana too earns substantial amounts from excise duties on liquor — its revenue under this head having gone up by about 24 per cent during 1974-75. The state income from such taxes has risen from Rs 60.80 crores to Rs 75.28 crores. One estimate has it that, while the people of Punjab drank liquor worth Rs 50 crores last year, those of Haryana purchased Rs 25 crores worth of it.

Punjab outstrips other states in per capita milk consumption — its daily consumption being 400 grams against the all-India average of 110 grams. Haryana too — as in the case of per capita income — occupies the second rank in terms of milk consumption, its per capita consumption being 372 grams. Punjab produces 5 million litres of milk daily, and consumes almost all of it; its consumption of liquor, however, is more than four times as much — 21.4 million litres. Consequently, while the scheme for a 'white revolution' — i e, for enhancing milk output — are quite ambitious, those for liquor production are even more so, given the market demand.

*

Barely a week before completing seven years of continuous tenure as Haryana's Chief Minister, Bansi Lal queered the pitch for the opposition by staging what many political observers call a 'coup'. His position in the state Assembly was strong enough, Congress MLAs numbering 52 in a House of 81. But the BLD and other opposition leaders had lately spared no effort to make things difficult for Bansi Lal — especially after the entry of his old rival Devi Lal into the Assembly through a by-election. Several of Bansi Lal's supporters were reported to be feeling nervous, and there was talk of a possible change at the top. But on May 15, the Chief Minister calmly announced that 9 out of the 16 Independent MLAs had joined the Congress Legislature Party, raising its strength to 61. Bansi Lal simply commented that these members had applied for Congress membership much earlier, but that he had admitted them into the party now "to enable me to pursue the constructive and socialistic policies of our leader Mrs Gandhi with great vigour". Four of the 9 had been expelled from the Congress in 1972, for six years, for having opposed the party nominees. Opposition leaders could do little more than impotently accuse Bansi Lal of practising the 'game of Aya Ram, Gaya Ram' (floor-crossing). But who cares for principles when it comes to grasping power!

SOUTH

Kerala Prepares

Mohit Sen

THE shifts and changes in Kerala's political configurations have not basically altered the character of the opposing alliances. The forms of the alliances may have somewhat altered and may further alter, but their content will not. What is being contested in Kerala is: can the alliance necessary for the strategy of structural reform consolidate and expand in time, or will the combination of the Right and the opportunists of the Left prove dexterous enough to stop or cut short the structural reforms?

Another allied, and equally basic, issue which is on the anvil in this most politically agile state of India, is: Will the coalition character of governmental power — which represents, in essence, a sharing of class power — prove a better shield against reactionary or opportunist obstruction, and a better spearhead for a thrust ahead, than the single-party articulation of single-class power?

If these are, indeed, the two basic issues involved, why are the lines not clearly drawn and why are both the contenders going in for wooing the undecided who are often enough somewhat indeterminate? What is happening in Kerala is that the very process of social transformation in one part of the country creates tensions which get aggravated because of the constrictions of the capitalist path of development, on which the country has been placed for the past nearly three decades. For example, large sections of the educated Nair youth find that their income from landholdings is gone, while the compensation of expanding employment opportunities has not arrived. Or, the vast majority of the toilers in the state find that social change has outstripped economic development and that significant difference has yet to be made to their low levels of living. These are realities which have to be taken into account, particularly when the largest opposition force, the CP(M), still comes forward in the garb of revolution.

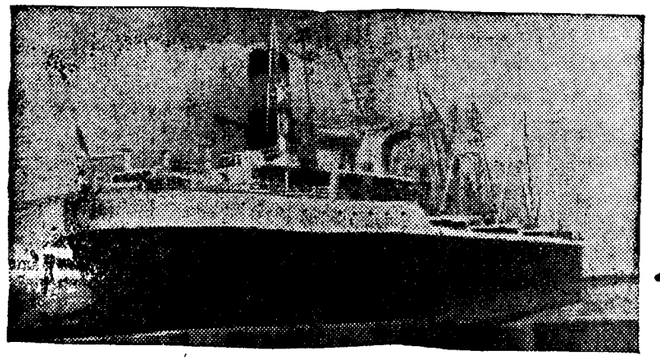
Nevertheless, the basic reality must not be lost sight of: the enormous goodwill that the government, headed by Achutha Menon, has won. The fact that it is almost definitely going to complete its full term is symptomatic. The sources of this goodwill are the manner in which the government has constantly taken the people into confidence and the manner in which it has done all it can to implement its programme. Coalitions can in fact work provided they base themselves on the people and on the unity of profession and practice.

There is no reason why it should not try to go ahead, therefore, and expand the base of its support so as to face the coming polls with still greater certainty. Those who fluctuate and hesitate should not be considered enemies and thrown into the opposition, either because of personal prejudices or because of a misunderstanding with regard to the stage of the Indian revolution or the contemporary level of the revolutionary process. It cannot be stressed too much that, at the present stage of the Indian revolution, the attack is not on all forms of private ownership of the means of production but on those which constitute the main obstacle to the growth of the productive forces — imperialism, landlordism, and the Indian industrial-financial-trading conglomerates. This means that a specific type of alliance has to be forged between the propertyless or near-propertyless and those with property who are against this particular bloc. This is of crucial importance with regard to the attitude to be adopted towards cultivators who are also owners and towards the medium and small entrepreneurs. Any sectarianism on this point would as surely lead to a smash-up of the revolutionary advance as would the belief that monopolists, imperialists and landlords can be cajoled into supporting it.

This is not to say that there are no forces which would fight for revolutionary transformation and vigorously oppose counter-revolutionary reversal. There *are* such vanguard forces and they are by no means insignificant. Indeed, in Kerala they have a large mass base, and would have had an irresistible one were it not for the CP(M). But given this split-up, caused by the mass-based CP(M), the other Left and democratic forces have to proceed with an added dose of caution and an attempt at a broader consensus.

But Kerala is again heading for a choice, despite the attempt at compromise. JP's visit proved that. Mass response, as in the case of Andhra, was very limited though press coverage was not. But, on hand to welcome him were the leaders of the Congress (O), the Jan Sangh, and Namboodiripad. Indeed, the latter brought his family along for good measure. JP brought them cold comfort by his praise of Achutha Menon and his disclaimer regarding a Bihar-type of agitation. But, his role in bringing this motley group together was not to be missed.

It is this combine that is preparing itself for the coming poll. And it is against this combine with great voting strength that the ruling alliance has to pit itself not merely by mass mobilisation but by extending itself. To do less than that would be to be both sectarian and irresponsible.



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REVIEW OF MANAGEMENT

May 1975

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Changed Times

IT is difficult to believe that the *dramatis personae* remain unchanged. Keshav Dev Malaviya was the country's Minister for Petroleum and Chemicals in the late fifties and early sixties. He was then the scourge of the multinational oil companies. That the country today has an indigenous oil industry — which, howsoever feeble, is growing at a fairly impressive rate — is to a considerable extent due to the tenacity displayed by Malaviya, who withstood sustained pressures from the foreign companies and the World Bank to lay the foundations for the Oil and Natural Gas Commission and the Indian Oil Corporation.

But how times have changed! In 1975, K D Malaviya once more finds himself in charge of the Union Ministry of Petroleum and Chemicals. But it is a different milieu. The Committee headed by Jaisukhlal Hathi, which enquired into the state of affairs in the drug industry has recently reported to the Minister. The Committee has laid stress on the crucial importance of speedily Indianising the industry and has suggested a long series of measures to restrain the proclivity of foreign companies to exploit brand names and smother the development of local initiative and skills. It has not flinched from recommending the immediate take-over of the multinational drug firms operating in the country; in addition, it has suggested a ban on the import of bulk drugs wherever possible and a progressive dilution of the equity held by foreigners in drug-producing firms.

It is a well-documented fact that in several instances foreign firms have been charging for bulk drugs anything like between eight and eight thousand per cent above the cost of production. There is also often a blatant policy of price discrimination through the device of transfer pricing, Indian consumers are charged for the same drug many times what is charged of the consumers at home. Given his antecedents, K D Malaviya, one would have thought, would have pounced upon the opportunity provided by the Hathi Committee's report and gone ahead with nationalising the foreign drug firms. No such thing has happened; Malaviya, the revolutionary former Oil Minister, is now reduced to Malaviya the cautious conservative. The fundamental issues raised by the Report, Members of Parliament have been told, call for a 'deeper study'; the measures recommended by the Committee have to be considered in terms of their 'wider implications'; the Minister is not going to be hustled into taking snap decisions on the delicate question of take-over of foreign-owned drug firms.

The mighty have not fallen, they have hereby changed their tune. K D Malaviya no longer propagates the theology of summary nationalisation of foreign chemical and other companies. He would not deny that the foreign multinational drug companies are mulcting the Indian consumers and short-changing the local drug-producing units. The facts are not in dispute. Yet, the Minister would go slow and there was little doubt left at the end of his recent press conference that taking over the foreign multinationals was farthest from the government's mind, and this despite whatever the Hathi Committee might have recommended. The other recommendations of the Committee — for instance, those prohibiting further capacity expansion of foreign companies which manufacture standard medicines such as tonics, vitamins, etc, or for taking penal action against branches of foreign companies or one hundred per cent foreign-held equity units which manufacture drugs without valid licence — are also likely to be ignored. The season of bold, radical decisions is over.

It is no use pillorying the Minister, or contrasting his current behaviour with the zeal he demonstrated one-and-a-half decades ago. The Minister does not set policy on his own, nor is he permitted to indulge in improvisations. Desperately short of both foreign exchange and internal growth, the Union Government has launched on an active policy of courting the favour of, among others, multinational corporations. The Monopolies and Restrictive Trade Practices Commission is discovering to its cost that its profession is ended, its recommendations about restricting product and market concentrations are receiving short shrift, and it would seem as if, in the government's view, the multinationals can do no wrong. You cannot kowtow to one set of foreign companies and be a hard taskmaster with respect to another set; there is a certain indivisibility in treatment and attitudes which cannot be wished away. Multinational drug units have thus nothing to fear, the official open door policy to foreign capital will henceforth embrace them as much as others. National economic self-interest has been redefined as more production and export, never mind of what and through which instrumentalities. The 'national' sector is now supposed to include the exploiting multinationals too.

Dependence in Indian Culture

From Mud Huts to Company Board Rooms

Gouranga P Chattopadhyay

Managers, as well as other members of the Indian elite like trade union leaders, teachers, journalists, and politicians, have to recognise the nature of the problem of dependence in Indian culture, and decide upon and implement actions to change the nature of this culture.

Introduction both of systematic arrangements for personal growth at the individual level to free the creative potential in every person and of organisation development at the level of industry, trade union, government, and every important organised sector of the country by using advanced knowledge and technology available to the behavioural sciences, to make India a nation which is far more adaptive and flexible in its response to the changing nature of the environment, are necessary to transform the present degenerate society. The individuals need to be freed from their scrips and new values have to be brought into Indian society and nation to make them dynamic and viable entities.

THE word 'dependence' refers to the extent to which one individual relies on another for his physical or emotional existence, or both. When dependence is mutual, the term that is applied is 'interdependence'.

The Role of Managers

The role of the manager is a complex one. It is worthwhile illustrating the 'right-obligation' implication of that role with an actual example here. Some time ago, a consultant was asked by the chief executive of a company to diagnose the cause of abdication of responsibility by middle and junior managers of his company, and then to work out a programme to remedy this situation. He said that most of his managers had worked their way up from the ranks, and it seemed that they had retained their old behaviour pattern, appropriate to those who are not managers but are used to waiting for someone to give the decisions. The consultant had previously done some work for this enterprise. During that consulting project, he had found that the middle and the junior managers often complained of the senior managers not giving decisions on time, and of hedging when confronted with critical issues. During that project, the consultant had suspected that the senior managers were either *not delegating* their authority adequately — which was forcing the lower ranks of managers to behave as though they could not take any responsible decision — or that the senior managers were abdicating their own responsibilities and the juniors were modelling themselves on them. It was, therefore, considered wise by the consultant to check these hypotheses before going to the middle and the junior managers for an in-depth study. So a two-day workshop for the senior managers was suggested and was accepted. It was agreed that the chief executive, the general managers, the regional managers, and some senior branch managers would come to this workshop. Twenty-one persons were expected to come. However, altogether about a dozen managers turned up, the others crying off at the eleventh hour in favour of other 'pressing' work.

The chief executive and the general managers announced at the beginning that they would be observers. The primary task of the workshop, it had been earlier agreed, was to generate data about how senior managers collaborated on tasks, by participating in a number of carefully designed exercises demanding collaborative behaviour if the tasks set in the exercises were to be appropriately performed. Thus, it could be learned what kind of behaviour came in the way of collaboration.

When the chief executive and the general managers withdrew from the role of participants in the workshop and decided to be observers, they abdicated their responsibility to generate data about their own behaviour and to learn. By the afternoon, some of the regional and branch managers became aware of this implication of the observer roles of the chief executive and the general managers; they started to drop oblique remarks at tea-break. At the end of the day, the consultant put up on a black-board as many of these remarks as he had picked up, and confronted the chief executive and the general managers with the remarks. All of them agreed that their behaviour did show abdication of responsibility. The chief executive promised to participate in the workshop the following day. The general managers pleaded workpressure and said that they had 'learnt' their 'folly' and that they would in future look at their own responsibilities; but even though they had contracted to attend the workshop for two days, other matters had become more pressing and so they would not come the next day. The other managers smiled and kept quiet.

On the following day, the chief executive bravely joined one of the groups, but kept silent right through, twice went out to receive phone calls and, at the end of the day, paid great tributes to the consultant! In effect, he maintained his observer role and tried to 'placate' the consultant with compliments.

What kind of message did these top managers give to the regional managers and the senior branch managers through their behaviour during the workshop?

First, if one is the senior man in a group, one has to learn from the experience of others, but one should not expose oneself to the hazard of letting others see one's weaknesses which is what happens if one tries to learn in a group as a participant. Alternatively, one need not participate in a group-learning situation because, merely by virtue of being senior, one automatically knows what there is to be learned, and so one can content oneself with keeping a 'fatherly' eye on one's subordinates as an observer, while others — comparatively junior people — have to work for their learning.

The second message that the topmost managers gave was that, even though they had made a contract to participate in the workshop, their non-participation should not affect the others because topmost people are not accountable to anyone and so they can abdicate their responsibility with impunity. This belief in non-accountability was so high that, even after they were confronted with data and agreed that they should participate on the second day because of the earlier contract and others' expectations as a consequence of that contract, they continued to remain non-participants through using one strategy or the other.*

One suspects that the chief executive and the general managers exhibit this behaviour in their work situation too. Consequently, one can also presume that one of the assumptions which middle and junior managers make is that, if one is promoted to any position of consequence in that organisation, it means, so far as the promoted man is concerned, that the position itself gives him the skill to perform the task allocated to that position: that there is no need to learn. But the reality is that, unlike in the workshop situation, every manager is accountable to his superior. So, if there is absence of the culture of learning, one way to compensate for it is by forcing the superior to give his juniors the decision; if anything went wrong, the burden of the fault could be laid at the door of the senior who had given the decision. The result, in this enterprise, is that a series of managers act as clerks and pass information upwards till it can go no further — i e, till it reaches the level of the chief executive and the general managers. The top management groan under the burden of the overload of information, and take too long to give a decision so that it is less meaningful. Thus, a further consequence of the type of behaviour of the chief executive and the general managers exhibited in the workshop is the dysfunctional abdication of responsibility by juniors (middle and junior managers) and of passing the buck upwards by them till it stops — which negatively affects the entire decision-making machinery, leading to building up of a crisis.

In this illustration, the top managers had the right to expect the other senior managers to participate in the workshop and learn. But they were also obliged to work and set themselves up as models for learning. By thus not participating, they presented a model — which, in any case, the enterprise was following: Abdicate your responsibility so long as you can avoid being accountable for it.

Indian Family, Breeding Ground for Dependency

It has been noted that the father in the Indian family is expected to socialise his children, i e, to pass on the cultural heritage so that the children can adapt to the society in a way to become viable entities. At the same time, it is known that large parts of our cultural heritage are meaningless today, being contradictory to certain political and economic realities. For example, the caste system is today challenged by the new marriage laws, the laws governing temple entry, and other legislation guarding a person's fundamental rights in society. Similarly, present-day conditions require women to get educated and to earn a living even after they get married. Now, in this situation, if a father follows his cultural heritage and passes on to his children the traditional values placed by the caste system and by the norm of a second-class citizenship for women, obviously he is not performing his obligation of teaching the children to adapt themselves to society. Rather he is ensuring that they grow up as non-viable entities. But, at the same time, he is standing on his rights and expecting them to 'learn behaviour' from him and respect him for whatever wisdom he is bestowing upon them. A father does not feel accountable to anyone for the way he is bringing up his children. He may force a career and a bride on his son; and sometimes both the career and the marriage may end on the rocks. But it is always the son's fault when such things happen — the society (and the father) blames *him*. The father is not held accountable.

How does he (millions of them, in fact) get away with such behaviour? It is because of the image of the all-powerful father and the dependent son — a dependent son whose success is attributed to properly executing his father's advice while his failures are blamed on his waywardness or on ill-luck.

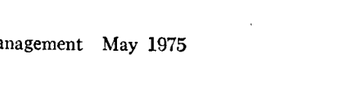
At this point, it may be worthwhile examining such questions as: why this kind of dependence is perpetuated, why the rebellious youth cannot equate themselves emotionally with others, but instead seem capable only of smashing chairs in examination halls or setting fire to public property!

There are likely to be many reasons. One may suggest only one probable reason. Our child-rearing process and, later, the education system are largely based on a theory of 'punishment' rather than on 'reward'. If the child fails to behave by whatever norm he is expected to follow, he is punished at best by withdrawal of some privileges and at worst by getting a beating. He is rewarded only if he is exceptionally 'good'. But seldom, if ever, is he rewarded for just being a child, for being a little person, for being himself. So his reward comes mainly from following orders and from imitating adult behaviour. He is punished for any departure from those norms. He has no encouragement to be innovative. He learns to respect others, but not himself, since he is not rewarded for being just himself. What is meant is, how often does one pet one's child when he wakes up or comes home from school with a dirty shirt, muddy boots, and dishevelled hair? How many days does one pet one's child when one returns from office and finds him playing or reading? If one does that very often, one is telling the young person that he *has some intrinsic value* as a person and so he starts respecting himself. But most Indians are unaware of their children unless they become pains in the neck.

Another common process in many Indian families is the preference shown to one of the sons over the others by the setting of certain tasks for him (e g, renewal of ration cards on the way home from school or queueing up to pay the electric bill on an odd school holiday). This is also accompanied by trenchant criticism of everything else about him. One perhaps compensates the other to some extent, but together the two modes create considerable tension in the young person. Such a person is likely to grow up with a feeling of importance and confidence, but beneath it all he is also likely to be tense, ready to burst into a fit of anger and temper tantrum at the drop of a hat because his self-image is really not all that positive and secure; and he shies off from possibilities of really putting it to test — i e, he avoids confrontation with himself or others even when that is necessary. So the child either grows up with a poor self-image — the image of a person who

* One wonders if this is an extension of the sentiment that was expressed to the Wiser couple in Karimpur when the villagers said, "We feel safe behind the barriers of our mud walls and our present status. And we are uneasy when you ... propose a change" (Wiser and Wiser: 1964, p 129).

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does not have much intrinsic value, but whose reward lies in imitating person in authority; and, when he starts getting authority by virtue of age, marital status and job position, he expects and enforces similar behaviour in those who have less authority than him, e g, *his* children, his younger brothers, his wife, his subordinates in work, irrespective of their need for autonomy or the necessity of *their* personal growth. If he is the 'confident' type, he becomes a highly critical parent, elder brother, or boss, who puts a high value on punishment and expects people to derive satisfaction from performing tasks set for them.

Two other processes — it is postulated here — are likely to contribute toward reinforcing dependence. One is the process by which a grown-up person rationalises his guilt or some other kind of disturbed state of mind when, now and again, he is confronted with his irrational dependence on his own parents. A typical example which comes to mind is the case of a doctor in his thirties who, on the eve of his departure to England to take up medical profession there, allows himself to be cajoled into marriage by his parents who are mortally afraid that should their son go to England as a bachelor he may bring an Englishwoman as a daughter-in-law. So he is persuaded to carry with him his own wherewithal for satisfying his sexual needs. After the person accepts such a decision and implements it against his own better judgment, when later he regrets it, how does he deal with his unhappiness? It is hypothesised here that he does so by telling himself that as an Indian it was his holy duty to comply with his parents' wishes; so he should not feel guilty about getting married before embarking upon a journey to an alien country. If this is how he deals with himself, it is but one step further to take the stand that his own children, too, must defer to all his wishes because he is their father and therefore his wishes are holy commands for them. Thus dependence is passed on to the next generation and reinforced.

The second process, it is suggested, is an extension of yet another aspect of the father-son or the mother-daughter relationship in the rural areas. Even today, some 75 per cent to 80 per cent of the Indian population either live in villages or regularly commute between village and town. Among the rest, too, a substantial percentage retain some connection with their rural base, from where they have migrated to towns even two or three generations ago. Now, in rural India, the father is also the teacher of his sons for learning the techniques of earning a living. A peasant's son, in most cases, becomes a peasant just as a craftsman's son becomes a craftsman. The caste system still exists to ensure this kind of cultural heritage. Similarly, the mother provides the only model for the daughter to grow up into a housewife. This fact, combined with the sanctified teacher-disciple (*guru-shishya*) relationship *per se*, underlines the obedience-dependence cult and reinforces it for the growing youth.

It may be possible to hypothesise one of the dysfunctional aspects of this cult in the industry. Today, a large number of well-educated young men, who join industry or commerce as management trainees, do not eventually make it because the relationship between them and the experienced and old supervisory staff and junior managers promoted from the ranks is one of conflict, the predominant emotion arising out of such conflicts being irritation. It is suggested here that the old hands expect this relationship to be a modified version of the old *guru-shishya* relationship while the young men crave for an impersonal learning situation.

A second impact of this dependence myth is the managers' efforts to retain the role of the thinker and decision-maker, even in situations where the subordinates — particularly the workers — have the necessary information and skill to take the decisions. An illustration will make this point clear.

In one of the factories of a multinational company, the workers' lunch was subsidised with a given amount of money per worker per day. The accounts were kept on a daily basis for this subsidy. The workers thought of a way to make their lunch more interesting. They proposed to the manager that, on Mondays and Tuesdays, they would have a slightly inferior lunch, which would cost them, say, 50 paise less per person on each day. On Wednesdays, they would use this surplus one rupee per person to have chicken for lunch. The manager, however, turned this proposal down as soon as he was approached: "Whoever has heard of workers having chicken for lunch?" He was very angry (it was, an observer later pointed out, like a father saying with wrath, "Whoever has heard of young children drinking beer before lunch?"), and the workers too took an angry stand on the issue. It is not necessary here to go into the details of the case. What is pertinent is that, just as the Indian father expects to lay down the rules and to see the children unquestioningly (and unthinkingly) follow them, so also some managers appear to expect obedience from their subordinates.

What are some of the effects of this process in Indian culture?

Wider Impact of Dependency

There seems to be, in this country, a remarkable capacity for getting lost in rules and regulations, in committees and councils. Food and drugs supplied, often charitably, for combating disease and famine are held up, in transit, for lack of proper papers while people die in huts and on the pavements. During the Bangladesh war, for example, a huge consignment of food and drugs flown from abroad for the starvation and disease-ridden refugees seeking shelter in West Bengal was held up for days at the airport because the Customs authorities were not shown the 'proper papers'.

There is thus an obvious dependence on structures. One feels comfortable hiding behind well-tried futile structures to avoid thinking and implementing decisions which will make one accountable. Three examples are worth looking at. Two of those are from academic institutions; the third is from the mining industry.

In the first example, a noted Indian scholar wanted a year's leave of absence from his university to travel to various parts of the country in order to complete his research on temple architecture. During three successive years, this request for leave was turned down by the authorities, on the ground that the rules state that long leave of absence may be granted for studies or research conducted abroad. In the end, this scholar gave up his efforts to get leave for a year and his research was never completed. Here the university authorities could abdicate their responsibility to examine the rules (part of the existing structure) and to change or modify them in order to facilitate legitimate task performance, because they were not called upon to account for either frustrating a noted scholar or for creating hindrance to task-performance.

In the second example, a new subject was sought to be introduced by an academic institution affiliated to a university. The subject was to be introduced only at the post-graduate

level. The decision-making academic body had only two persons on it, who had any idea of the new subject. The others out-voted these two and decided that, unless like the other subjects taught in the university this one was first introduced at the under-graduate level, they would not allow it to be taught at the post-graduate level — ignoring the fact that, like some other subjects, this one could draw post-graduate students on a multi-discipline base. The decision-making body was not willing to work to find out data about this subject; in the end they formed a committee and asked it to prepare both an under-graduate and a post-graduate curricula, even though under-graduate teaching may never take place. The issue was lost and the committee, consisting of four persons from four academic institutions situated far from one another, went back to 'work'. Here, the decision-making body could abdicate its responsibility because there was no effective mechanism to hold it accountable.

The third example is of sending a person, at short notice, to the northern icy depths of the USSR for training by a mining enterprise. This man did not have any money to buy the outfit for the climate there. But the chief executive ruled that, since his clothes will become his personal property after the duty abroad was over, and since there was no way of entering these in the stock of the company's material, he could not be given any special allowance to buy the items! But because he was ordered, unless he went, he would also be charge-sheeted!

In all three cases, we find a perception of non-accountable seniors and totally dependent subordinates; no thought being given to the contribution of the subordinates (i e, interdependence).

In the first instance, the university authorities really denied the contributions of the scholar. By refusing to sanction him one year's leave to complete his research, the authorities stopped this scholar in a primary task. The university authorities have no business to exist as authorities if their actions are detrimental to this primary task. But they got away by only highlighting the scholar's *dependence* on them, because they were not called upon to account for hindering task-performance. In the second instance, the decision-making body highlighted the fact that the faculty depended on them for approval of the syllabus, but denied the fact that they would have no work to do. To justify their role, they were required to know their job well. But, in this instance, they certainly exhibited remarkable lack of knowledge of the situation in hand and yet no one asked them to acocunt for it. In the third instance, the chief executive denied the reality that, by travelling to the USSR the young man was going to increase his knowledge and skill in mining — one of the key resources on which the company depended. Thus, in all three instances, the dependence of the perceived seniors on the perceived juniors was not recognised — i e, 'interdependence' was denied.

Just as, on the one hand, the superior treats his subordinate as completely dependent, the subordinate also, in many instances, reciprocates this process by passing the buck upwards. One instance of junior and middle managers forcing their seniors to give all decisions has already been given. One could describe another incident which shows how even when the relationship between some managers is not that of super-ordination and subordination, i e, it is lateral, dependent behaviour is exhibited to abdicate responsibility.

In this instance, a foreman reported to his departmental manager (dm1) the negligence of a worker under him. It was within the authority of the dm1 to call for an explanation, issue a charge-sheet if the explanation was not satisfactory, and ask for an enquiry. However, he went to the assistant personnel officer (apo), who is at the same level of hierarchy as himself, and described the case to him. The apo drafted the letter to the worker asking for an explanation, which the dm1 duly signed and presented to the worker. When the worker gave his explanation in writing, the dm1 again took it to the apo, who agreed with the dm1 that it was unsatisfactory and drafted a charge-sheet (which he showed to his superior, the cpo or the chief personnel officer, and got him to amend it marginally). The dm1 signed the charge-sheet, issued it, and then got the factory manager to start an enquiry by drafting dm2, another departmental manager, for the job. The dm2 moved between the enquiry proceedings and the apo to get his questions and strategy rubber-stamped by the former. Eventually, he got his report drafted by the apo (approved by the cpo) and this was signed by the dm2 and given to the factory manager. The factory manager in his turn decided to dismiss the worker, but consulted the cpo, got the dismissal order drafted by the cpo, and issued it under his own signature. In this case, we see an all-round grand strategy for keeping doors open for abdicating responsibility by almost everybody. If the dismissal led to union trouble and the head office made an enquiry to find out whose fault it was for having created the situation, the dm1 and the dm2 could cite that they had consulted an expert in the field — the apo. The apo could say, that he had consulted *his* superior, as well as point out that in any case his role had been strictly advisory, in that, the decision to issue the charge-sheet lay with the dm1 and the responsibility for the contents of the enquiry report lay with the dm2. Similarly, the factory manager could claim that he had consulted the expert in the field, the cpo, before ordering the dismissal while the latter could claim that his role was merely advisory and that the responsibility for issuing the dismissal order lay with the factory manager. Thus, the resources that were available and the nature of structure of the company were used to keep doors open for abdicating responsibility and exhibiting dependence rather than for hastening effective task-performance.

Other kinds of dependence myths and mechanisms, for hoodwinking so-called authority are created to escape accountability for abdicating responsibility — some of which have been described elsewhere (Chattopadhyay : 1974a, pp 16-17).

Dependence on structure has come to mean shrouding a task group with committees, chairmanships and all kinds of well-tried rules and regulations to the extent that there is hardly any leeway for trying out new, innovative, creative approaches to solve problems faced in connection with task performance. If the ancient or imitated methods fail to deliver the goods, i e, solve the problem, the answer seems to lie in either dropping the project or in doing it badly — and not in trying a new untried approach.

Indians also have next to no ability to use aggression in a controlled way. This happens because they are programmed to obey elders and not to think for themselves on the one hand, and on the other, unlike their Western counterparts, Indian infants are never allowed to cry for long. They are immediately picked up and cuddled. The Western children are allowed to cry and learn to handle anger and frustration and channel their energy to find ways to entertain themselves, even if it is as simple an act as chewing the bed-cloth!

The following quotation from Wiser and Wiser (Wiser and Wiser: 1964, pp 75-76) appear to aptly describe the way an Indian child is brought up: "As the baby of the family grows large enough to be played with, he is the household pet ... The girls of the family are his willing slaves, often lugging him on slender hips when both he and they might be better off if he were on his own feet. There is a three-year-old who spends much time in our grove riding thus on mother's hip. When we persuade him to try walking, he takes a few stroddling steps, then sits down and howls. The mother beams with pride at her importance to him, and lifts him back to her hip, bouncing him from tears to smiles.... She will endure anything herself. But expose her baby to pain — no." Or again "Whatever the baby wants he receives, if it is within reach of brothers or sisters or parents or grand-parents".

The result is that the Indian adult either stoically accepts frustration or bursts out in a frenzy that creates chaos. For example, students either *gherao* a vice-chancellor and, through other violent means, bring work in a university to virtual standstill, or stoically accept such situations as the MA examination 1973 not being held even in March 1975. But they do not put up a sustained organised movement which would yield concrete and constructive results.

The adult mind thus carries two very conflicting experiences — one is from early childhood of a sense of security with other human beings and nature, a sense of freedom and independence, but without the experience of 'problem-solving' either individually or in groups; the other is an experience of intense and bitter frustration at adolescence when such important decisions of life as career and marriage are imposed on them, and one has either to stoically accept them, or go through intense suffering as a rebel, the agony of which is "rarely experienced even in the most acute struggles of our (American) adolescents", as Murphy puts it.

Obviously, such individuals are also rare who can break the dependence syndrome and go through the painful process of learning new behaviour, which is culturally alien — and that includes learning the mechanisms to survive almost as aliens in this dependent and caring culture.' They have not only to face the trouble of breaking away from the security of their families of origin, but also to learn to continuously establish relationships of trust with people to whom they appear aliens. One suspects that, unless these people can develop an extraordinary degree of interpersonal competence, they meet the fate of rebels in any country — they strive to arrive, but never quite do so. This results in their impact on the culture being lost. The ripple that is caused is contained within a small area and then the vast stretch of water regains its placidity while the pebble is lost forever, sunk in the muddy depths at the bottom. The placidity that remains is that of dependence and caring, that of aggression completely bottled up. Learners of new behaviour cannot be tolerated if they disturb this placidity. But the vast majority, who suffer from frustration and bottle it up — how are they likely to behave in their state of dependence?

We get some idea, from Jones's (Jones: 1974) study of anger. Jones claims, on the basis of his research, that such persons' major orientation will be power-seeking, their external demeanour will be despairing, but that inwardly they will feel like exploding with anger, which they seldom if ever will do — certainly not, unless they feel that they are powerful enough to afford to show the anger. The defence mechanisms employed by them are isolation or withdrawal, introspection, fantasising, or becoming over-adaptive. Such people, Jones continues, are likely to suffer from tendencies towards bloating, flatus, rage, migrane, vascular troubles and asthma. Have you met them? Have you ever thought how a lot of us can very conveniently perform the ritual of thanking the host or of expressing our satisfaction over a good meal by loudly belching at the end of the meal?

Dependency and Managerial Behaviour

It is necessary now to review the impact of this culture on managerial behaviour from a few research-based publications.**

Haire Ghiselli and Porter conducted a study of 3,641 managers spread over 14 countries (Haire *et al*: 1966). In their comment about this study, they have to say the following: "This book represents the barest scratching on the surface; it is tentative methodologically, and only titillating in terms of content. What importance there is here probably lies chiefly in the simple fact that it is among the first steps toward the establishment of a firm and precise empirical body of knowledge regarding international management". Titillating it is, and the findings of this study are of considerable use. One must, however, remember that these findings are comparative ones, i e, that there is no absolute scale involved.

Haire, *et al*, state that the Indian managers are comparatively autocratic. Taking the cue from these authors, if one looks into the nature of this autocratic orientation, one finds an echo of the head of the joint family of a ritually superior caste. Thus, the Indian manager gives more positive value to giving direction rather than to participation. The younger persons in a joint family do not participate in joint problem-solving — the male head decides and directs. In the enterprise also, as Haire *et al* state, the managers like to direct, rather than involve subordinates in joint problem-solving, which could not only bring in more resources to solve problems, but could also train juniors for their future when they climb up the managerial ladder to seniority. Further, the negative attitude towards persuasion is combined with the connotations that go with the act of persuasion: weakness, passivity and lack of importance, which are seen as the factors behind persuasion. Thus, even if logic shows one that persuasion is more effective in terms of the task, emotionally one rejects this act.

To reinforce further this emphasis on direction, persuasion is positively related to such factors as reprimand, making a mistake and cheating. That is, the weak and the less skilled get reprimanded for their mistakes, and they are the ones who have to persuade; the skilled, strong manager always directs! Higher-status positions are evaluated by Indian managers more positively than lower-status positions. Further, reprimand, making mistakes, and cheating, are also associated with lower-status positions. Certainly, on the face of it, such associations seem to reflect the idea of polluted lower castes, some of whom are still culturally (though not legally) considered untouchables and a vast number of them are still considered polluted enough for the upper castes, so that the latter will not accept water or food from the former — not to speak of considering intermarriage.

** The author is grateful to Nitish R De for drawing his attention to these studies (De: 1974, pp 9-29).

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There are two other interesting findings of this study. The first is that although the Indian managers, compared to the rest of the Indians (peasants, clerks, teachers, bureaucrats, etc), appear to be receiving rather adequate need-fulfilment, their expectations are so high — sometimes exceeding those of managers in such highly affluent countries as the Scandinavian countries and the USA — that they are highly dissatisfied with their needs for security (in any management position), social needs (i e, the opportunity to give help to other people and to develop close friendships in a given management position), esteem needs (i e, the feeling of self-esteem in a given management position, prestige in that position, inside the company and outside), autonomy need (i e, the authority connected with a position and the opportunity for thought and action in that position), and self-actualisation need (i e, the feeling of being able to use one's own unique capabilities, realising one's own potentialities and getting a feeling of worthwhile accomplishment in a given management position).

It thus seems that the child's dependence on structures like the joint family and caste, perpetually push the adult, even when he is a senior manager, to crave for greater security. And his lack of early training in fending for himself among strangers makes it difficult for him to establish close friendships among those strangers. It is likely that this new, potentially threatening situation causes enough tension and anxiety in the manager so as to make him non-self-actualising. Murphy's study (Murphy: 1955, p 52) corroborates this when she shows that the Indian child has seldom if ever to go through his Western counterpart's experience of learning "fairness" in group play, good sportsmanship, how to "fight like a man" without using unfair means (like biting, scratching, punching vulnerable parts of the body) as 'our (i e, American) children do'.

Also, since the Indian child is brought up in a highly structured and seemingly secure situation, he does not get much opportunity to learn to even look at his own potentialities, which further lessens the possibility of self-actualisation in the adult, whether in industry or in any other profession.

The other interesting finding of the Haire study is that the lower-level managers, on the one hand, experience generally greater need-deprivation compared to higher-level managers, and on the other hand, they indicate fulfilment of the security need more than the higher-level managers. One suspects that this is closely related to the position of the adolescent in the joint family, who experiences a high degree of frustration because his need for thinking things out for himself and acting upon them is ruthlessly curbed, and because at the same time he knows that so long as he abides by the norms of the structure, his security is assured.

The second study that one could utilise here was made by Smith and Thomas (Smith and Thomas: 1972). This study rather strongly shows the high impact of cultural values and the rather low impact of bureaucratic values of organisation on managers. In this study, Smith and Thomas compare a small sample of Indian managers belonging to senior and middle levels with comparable levels of American managers studied by Edgar H Schein. The Indian managers are found to have a higher confidence in classical theories of management, they tend to have a higher level of cynicism, in that, they believe that to be a good businessman one has to make decisions which hurt others, so that one has to be a cold, calculating, and insincere person. Also, they believe that managers have to compromise on ethics and morals to accomplish a task. They do not believe that one rises in hierarchy, through one's efforts and by acquiring greater skills. This low, or negative, value on acquiring greater skills is also reflected in their having lower level preference for specialisation as a desirable value. Further, the Indian managers have low-trust orientation on workers and favour labour and government intervention in the affairs of the corporation. Finally, to complicate matters, this study also claims that the Indian managers profess a belief in group-based, participative, decision-making.

Insofar as the low value on acquiring skills and specialisation are concerned, these seem to be a carry-over of the non-learning (if not anti-learning) component of the Indian culture. In such a situation, how does the average manager explain the success of a handful who reach the top? It seems that, in order to cope with one's abdication of the responsibility to learn and use aggression constructively, the managers fantasise amorality as the key to success, non-human (cold, calculating, and insincere) behaviour as the only alternatives available to rise above the 'average' managers. The low-trust orientation to workers appear to be a direct reflection of the values of impurity and pollution attached to the lower castes in the system.

But the belief of the Indian managers in group-based, participative, decision-making contradicts the findings of other studies as well as the beliefs emanating from the culture. The only way this can be explained is by raising the question of the definition of group-based, participative, decision-making. As noted elsewhere (Chattopadhyay: 1974a, pp 4-16), the Indian managers (or any person in a position of authority, like, for example the head of a university department) seem to define participative decision-making as a situation where they sit face to face with their subordinates, give them information *as well as the decision*, and expect the subordinates to accept that process as group-based, participative, decision-making!

Further evidence of this make-believe process of participative decision-making comes from Tandon: (De: 1974, p 27): "Indian managers like to be kept in touch and consulted more than their Western counterparts. I think this arises from diffused authority in the joint family, where the young adults are consulted even though they have no powers and most of the decisions are taken by the seniors. Similarly, the Indian managers feel they ought to be *in* on things and not kept out, whereas their Western counterparts will say that this has nothing to do with me and they have the right to decide because they have the authority. In the Western industrial culture, delegation works better than it does in India, because authority and responsibility are clearly defined and not bedevilled by constant consultation merely to keep people happy". It is felt that this process of keeping people happy by consulting them, and not that of joint decision-making, is what Smith and Thomas refer to as high faith in group decision-making.

Finally, there is the De and Tandon study (De and Tandon: 1974). Some of the major findings of this study are that the Indian managers, along with other members of the elite, feel alienated from the social milieu, that they are highly critical of the role and performance of the Central Government, that they are pessimistic of the future, and that they are *status quo* oriented in respect of the economic-political policies and institutions.

At the end of the article by De referred to earlier, the author raises some pertinent questions such as "whether

there is a type of 'social character' of Indian managers fostering response pattern at subordinate levels which may be responsible for maladaptive postures in industrial relations. Does the authoritarian streak in an Indian manager foster a mode of conformity in the rank-and-file work-force either in the form of counter-dependent resentment, or suppressed submission, or an admixture of both — resulting in a waste of creative energy in the form of mild to severe neurosis in both the groups so often reflected in inter-group dynamics of a destructive kind? ... Is the phenomenon of alienation rooted in psychosocial environment of an Indian manager, in which case one cannot maintain a basic distinction in the attitudinal patterns of the public sector and public service managers from those who serve the private interests?"

While these questions are obviously relevant, the aim in this article has been to attempt to show the cultural and consequent psychological roots of a basic behaviour pattern of the Indians — the behaviour emanating from a basic assumption of dependence, with an occasional shift to flight and fight (Bion: 1961), but seldom directed towards task-performance based on the assessment of data, assessment and understanding of the reality of the environment. The latter part of this article has tried to show how this behaviour pattern also dominates managerial behaviour.

Concluding Remarks

De points out, "It is being increasingly realised that the transformation of a backward economy into a progressive one calls for, among other things, mobilisation of key human resources. One such resource is the managerial manpower, whatever be its source of origin. By and large, the technocrats possess technical knowledge and skills, the civil servants possess the insights of co-ordination skills and the ability to negotiate between conflicting interests. Many an owner-manager is determined and result-oriented. Yet, the managers in India are not mobilised. They are not geared to the super-ordinate task of the transformation of a society which is no longer a desirable entity." (De: 1974, p 9.)

If, however, Indian child-rearing practices, the values emanating from the joint family, the caste system, and the impact of a 3,000-year old culture, are behind this lack of mobilisation, are the main causal factors for not producing creative change agents, obviously it is pointless blaming any particular section of the society. As a matter of fact, it will be a highly useful exercise if one were to extend one's field of observation to the trade unions and find out the nature of the relationship between the leaders and the followers. Perhaps one of the reasons for the slow emergence of grassroots leadership lies in the presence of the dependency myth, even in that field. What is being suggested here, is that perhaps the politically oriented and highly experienced professional trade union leader tends to treat the rank and file members as dependent subordinates who should not raise 'unnecessary' questions or try to be innovative.

It is also possible to examine certain aspects of our formal learning process, i e, the process of imparting primary to higher education in various academic institutions, and to locate the impact of dependency and non-accountability in that process. The teacher-student relationship in any classroom can be conceived as part of an open-system where the teacher controls the boundary to a large extent. He makes the knowledge or skill (in vocational institutions) inputs into the system and controls the output through conducting examination. Looking at the teacher from this viewpoint, one can define his role as that of *managing the learning situation*, while the role of the students is that of *managing their own learning*. However, because of the myth of dependency, the teacher is looked upon as someone who *manages the learning of the students on their behalf*. This results in the students demanding to be spoon-fed, and finally, as we find today, they end up by demanding to be declared as 'passed' even when they have not studied. There is a logic in this demand. If our culture dictates that the teachers manage the students' learning, the youth have no responsibility other than achieving the 'formal status' of students to expect to have their learning managed by someone — which also means being declared as passed after the stipulated period of student-hood! Secondly, the teachers, like any other super-ordinate office-holders, also feel that they are not accountable to anybody.

This leads to outdated syllabus being taught, examination results being held up, and various other kinds of acts that are detrimental for task performance.

However, the managers, as well as other members of the Indian elite like trade union leaders, teachers, journalists, and politicians, have to recognise the nature of this problem, and decide upon and implement actions to change the nature of this culture. Introduction both of systematic arrangements for personal growth at the individual level to free the creative potential in every person and of organisation development at the level of industry, trade union, government, and every important organised sector of the country by using advanced knowledge and technology available to the behavioural sciences, to make India a nation which is far more adaptive and flexible in its response to the changing nature of the the environment, are necessary to transform the present degenerate society to a desirable one. The individuals need to be freed from their scripts (Berne: 1972), and new values have to be brought into Indian society and nation to make them highly dynamic and viable entities. The time has come for India to design and implement her own brand of cultural revolution.

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Monitoring Import of Technology into India

Sumitra Chishti

A large portion of modern technology import into India has been on behalf of government—mainly in the defence and other basic industries. While the dvanced countries—whether of West or Eastern Europe—have supplied such technology ostensibly to support India's effort to industrialise, in fact, the motivations of these countries can be traced to their larger strategy of gaining influence in the developing countries.

Private foreign parties, on the other hand, have been motivated to exploit the vast market of India for profit. By exporting technology to India they have been able to penetrate the otherwise protected market of this country.

Overall, in the last two decades, India has imported technology heavily. Though it has thus acquired a sufficient technological base to become self-reliant, this has not been reflected in a lower rate of technology import.

Indeed, in a free enterprise economy and in country where a section of the population has enough money to demand a vast range of items of affluent consumption, there are pressures generated for repetitive technology import as well as for its import into fields which by no means contribute to the welfare of the people.

This paper examines the trends in technology imports since Independence, and traces ways in which these have influenced the direction and pattern of Indian economic development.

OVER the last two decades, India ha imported technology heavily. It ha also acquired a sufficient technological base which should enable it to become technologically self-sufficient. It is, however, necessary for India to be selective with regard to technology import. The choice of technology can be made appropriately only under strict supervision of an appropriate government. This is so because, there are certain basic conditions in the Indian economy which could perpetuate the import of technology to the detriment of the national interests.

First, technology import is being effected by small, medium, and big enterprises, which have varying bargaining capacity. In fact, the number of small enterprises going in for import of technology has gone up over the year.[1] While the big enterprise may be expected to be better off with regard to its capacity to bargain effectively with the huge multi-national companies, the small and medium firms cannot be expected to be as strong. Technology purchase is, after all, a highly sophisticated and complicated process. Hence government intervention becomes vital.

Secondly, there has been a tremendous pressure generated by the demand pattern resulting from the 'transfer of tastes', from the advanced countries to India, which is continuously propagated by the mass media. This has brought about indigenous production of such goods as would satisfy this demand. And this production can be undertaken by importing foreign technology. This does not contribute to the total welfare of society, but instead directs scarce capital and other resources to, what ought to be, low-priority industries.

Third, dependence on foreign technology has hindered Indian industries both in developing adequate R and D facilities as well as in according the necessary importance to indigenous technology.

Fourth, India depends on aid which is often tied. As a result, the technology too gets tied to a particular source.

Fifth, the various aspects of the import of technology — such as restrictive clauses including purchase of commodities from specified sources, exports, etc — need thorough examination before being accepted. The technology is normally, transferred in a 'package', *which* contains various elements. The mix of this 'package' may have different implications. One needs to be able to 'unpack' the inputs to assess the significance of the mix; and this needs tremendous bargaining capacity.

The bargaining capacity of the buying country and supplier rests, essentially, on the policies which give 'power' to the negotiators. The development of this power does not arise simply from the scarcity of factors of production but also from the social and political environment which gives rise to this power.[2] The role the government could play thus becomes important.

India has adopted certain policies previously. It is necessary, therefore, to examine how technology is being imported into India and what are its implications, in terms of the issues raised above. However, before examining this, it is necessary to evaluate the possible

motivations of the transfer of technology into India from the point of view of the *sellers*.

This discussion confines itself to the export of technology to 'Independent' India.[3] It is sufficient to say, on pre-Independence imports, that the inflow of foreign technology was essentially a by-product of the sellers' motivation; the sellers of technology indeed considered India a cheap source of supply of certain raw materials.

After Independence, India has imported technology from various sources. It has imported technology from socialist countries, as well as from the market economies. The motivation of the two categories of exporters may be considerably different. However, one can make a few generalisations.

A large portion of modern technology has been imported directly by the government. This has been mainly in the defence and other basic industries. The suppliers of technology have in effect supported the Indian effort to 'industrialise'. Some governments of the advanced countries — of market economies, as well as of socialist countries — found it necessary to support India's efforts for political and economic considerations. By virtue of its size, population, and political system, India demanded such attention. The distinct character of India's foreign policy almost forced the donor countries to be its benefactors — as part of their larger strategy of influencing the developing world. If the country did not offer India the necessary aid, including technical knowhow, there was every likelihood of other competing countries offering that to it. Hence, many countries did not want to lose the opportunity.[4]

The private parties were motivated to exploit the vast market of India. However, due to scarcity of foreign exchange and the policy to protect domestic industry, imports into India of a large number of commodities have been stopped through bans, tariffs, and quotas. To keep hold of this market — which the foreign investors considered very attractive not only for the present but also for the future — they considered it necessary to sell technology in here. India did not strictly follow an 'open door' policy for foreign private investment. As J N Behrman puts it, the licensing of technology is the last resort left. Thus, in the absence of direct investment, a way of retaining hold of the market was through the sale of technology. Since sale of technology assumed a crucial role in penetrating this vast market, licensing became a way of keeping up exports. If the technology were not sold, moreover, it would merely be leaked out otherwise — since 'hoarding' of technology is not possible. This was in keeping with the normal calculations of the motivations of the international corporations.[5]

Who Initiates Technology Purchase in India

It is necessary to look into this question of initiation of purchase; for, it shows the eagerness of the purchasing party. The mechanism adopted, and the ability and willingness of the party to pay the price for technology import, is thus determined. In India, the initiation comes from three levels, as has already been seen. The government is a big buyer of technology. Given the growth objectives, it is but natural to expect that initiation would come from the government. But it is significant that, very often, such initiation is built into the concept of 'tied aid'. Consequently, the alternatives available to the government for choosing from alternative sources are extremely limited. This applies equally to technology import from advanced market economies as from the socialist countries of East Europe and the Soviet Union.

In the private sector, the initiation of technology in the subsidiaries can be presumed to be mainly the doing of the selling organisations. The subsidiaries would transmit technical knowhow, by and large in keeping with their interests; for, they have capital investment as well.

With regard to minority participation and purely technical collaboration, there are initiations at two levels — one by the Indian side and the other by the seller of the technology.

In the case of the big companies, the interest is normally considered to emanate from the sellers. It is understandable that, in view of the vast domestic market and the credibility of the partner, the seller would take the initiative. In fact, the large industrial organisations have been the recipients of initiative of the various sellers of technology. It must be noted that these houses have been reported to be a bit choosy. For, more often, they can bargain with them and buy technology from a variety of sources.

There has been a strong tendency among small firms to seek imported technology. This has been strengthened by the finding of the survey of the Reserve Bank of India, for 1964-65 — 1969-70.[6] These firms are compelled, by the economic environment, to get some collaboration whereby they could gain prestige at the governmental level for licensing, and gain respect in the market in the context of the tremendous bias for foreign ingredients.

Almost two-thirds of the proposals thus came from firms with sales of under Rs five crores in 1967.[7] These firms were small and medium by even Indian standards. This would obviously lead to such questions as whether these firms would have adequate capacity to deal with a giant international firm.

Conflict of Interests

Normally, there is always a conflict between the host country's interests and the interests of the supplier of technology. The motivations that bring about transactions are bound to differ, between the seller and the buyer. The seller is motivated by higher returns with least cost. It is expected that the buying, developing, country would like to fit it into the scheme of not only the development of a firm — or even an industry — but in the larger context of the total development of the economy. The 'interests' of a developing country are a highly debatable issue. They vary according to the predilections of its policy-makers and analysis.[8] Viewed from a buying, developing, country such as India, we can broadly state a few observations without getting into a controversy.

First, technology import should lead to self-reliance over a reasonable period of time. Second, the cost of import must not be exorbitant. Third, short-term benefits should be matched with long-term benefits. Finally, technology should go into only those sectors which are *an integral part of the growth strategy*. Judged by these criteria, the import of technology into India makes for a mixed story.

Technology came to India in various ways: (a) into public sector projects, (i e, government purchases); (b) through direct subsidiaries of international corporations (c) through joint ventures; and (d) through technical collaborations.

Table 1 : Types of Regulatory Clauses in Indian Collaboration

Types of Regulatory Clauses	Number of Clauses: Subsidiaries	Minority Companies	Pure Technical Collaboration Companies	Total
(I) *Export clauses of which :*				
(i) Permission of collaborator for exports	22	107	73	202
(ii) Prohibition of exports to collaborator's country	9	70	77	156
(iii) Prohibition of exports to countries in which the collaborator operates through branches/subsidiaries/affiliates or is having similar collaboration agreements	10	112	130	252
(iv) Prohibition of exports to countries other than those covered in (ii) and (iii) above	5	36	25	66
(v) Total ban on exports	—	6	14	20
(vi) Exports restricted to certain types of products	—	7	4	11
(vii) Exports only through collaborator's agents/distributors	5	14	27	46
(viii) Prohibition on the use of trademark for exports	3	24	26	53
(ix) Restriction on the annual value of exports	3	—	—	3
(x) Restriction on the annual quantum of exports	—	2	—	2
(xi) Restriction on export prices	1	13	—	14
(xii) Charging of higher royalty rate for that portion of output which is exported as compared to that on internal sales	—	7	3	10
(xiii) Prohibition on the use of technology obtained through the foreign collaboration agreement for export	—	4	2	6
(xiv) Any other export restrictions	22	55	38	115
Total I	*80*	*457*	*416*	*956*
(II) *Commercial payments clauses*				
(i) A fixed minimum payment to be made per year	2	11	17	30
(ii) Payment conditional on achieving a given production target	1	12	9	22
(iii) Payments dependent on compulsory exports	2	5	10	17
(iv) Other conditions	—	20	5	25
Total II	*5*	*48*	*41*	*94*
(III) *Other Restrictions*				
(i) Sources of supply of raw materials and plant and machinery	3	21	28	52
(ii) Restriction on production capacity imposed by the collaborator	—	4	15	10
(iii) Restriction on manufacture of products similar to those produced under the collaboration agreement	9	56	51	116
(iv) Restriction that internal sales should be routed through distributors specified by the collaborator	2	10	6	18
(v) Restrictions other than those above	5	22	3	30
Total III	*19*	*113*	*103*	*235*
Total (I + II + III)	**104**	**618**	**563**	**1285**

Source : *Reserve Bank of India Bulletin*, June 1974, p 1072.

Government Purchases of Technology

The salient features of the import of technology by the government are: (a) direct transfer of technology through outright purchases; (b) technology transfer in most undertakings in the shape of a once for all massive dose of technical knowhow; (c) multiple sources of technology import arising primarily out of aid conditions; and (d) the more complicated technology imported in the case of the government sector.

The main characteristics of the technical collaboration agreements — as revealed by the Reserve Bank of India — are as follows: The RBI studied 24 government undertakings. Most of the government undertakings are in basic industries. In the early stages, the government sought collaboration only in the electrical goods and the machinery sector. Later, however, mining, petroleum, machinery, machine tools, metals and chemicals emerged as spheres of collaboration.

The East European countries, including the Soviet Union, figured in only 15 jer cent of the agreements. But these agreements covered huge projects. Two-fifths of the agreements were entered into by enterprises of the UK and the US.

The duration f these technical collaboration agreements are of 10 years, while a few agreements had a duration of 15 years.

In these agreements, technical fees were relatively more important as a mode of payment than were royalties, because of the agreements with the East European countries and the preference of the government for outright purchases. None of the government companies' agreements had a royalty rate of over 5 per cent.

Further, there have been non-equity ventures too. Practically the entire equity capital has been held by the government. Foreign equity capital of the companies of the government under collaboration totalled Rs 15 crores in the units surveyed by the Reserve Bank of India, in 1969-70 — which, however, formed a negligible proportion (just one per cent) of their total equity capital of Rs 1,210 crores.[9]

Import of Technology by Private Sector Subsidiaries

Foreign companies have their subsidiaries in India. Of 740 foreign firms, 538 function through their branches, which are wholly owned. These units are incorporated in India, but have majority control (more than 50 per cent) by a single foreign company. In practice, the extent of foreign control ranges anywhere between 51 per cent to 100 per cent. The trend towards enlarged Indian participation in the equity share of the subsidiaries, which was noticed in the first survey, continued at a slow pace in later years. Upto March 1964, over half the number of subsidiaries



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operating in India had a 100 per cent foreign ownership. During 1964-70, a little over one-third of subsidiaries had a 100 per cent foreign ownership. Significantly enough, these subsidiaries account for a substantial part of the growth of foreign investment, especially in the technologically intensive sectors of the industry.[10]

The subsidiaries have foreign collaboration agreements. These agreements are in chemicals, machinery, and machine-tools and metal products. They never exceed 10 years for agreements. Since these subsidiaries are a part of the multinationals, the parent company normally transfers the non-patented knowhow from its centralised research organisation, even without entering into any specific agreement. Regarding the specification of clauses, the subsidiaries do not always seek any clear-cut precaution in this respect; for, capital participation continues even after the expiry of the technical collaboration agreement.

Joint Ventures with Minority Participation

These ventures indicate a departure in the foreign investments pattern. Now, foreign investors — due to compulsion from the host countries — are willing to share with local capital. Post-Independence India witnessed a rapid growth of this type of organisation. These agreements were for shorter durations. Out of 877 companies surveyed by the Reserve Bank of India, 70 per cent of the companies had special technical agreements. Most of them had minority participation.[11]

Pure Technical Collaboration Agreements

This emerged as a new phenomenon in the mid-fifties because Indian entrepreneurs themselves had developed industries. The critical element in building new industries was the technical knowhow. These agreements became an important vehicle of transmission of technology, because Indian companies were in need of only technical service and not of foreign capital. Further, there has been encouragement by government of technical collaboration in order to restrict foreign investments.

The duration of agreements ranged from 5 to 10 years. There have also been agreements with shorter duration, involving outright purchases of knowhow.

Table 2 : Remittances by Private Sector and Government Companies

(Rs lakhs)

Year	Dividend Remittances	Technical Collaboration Remittances	Payments to Foreign Technicians in Foreign Currencies	Total Technical Remittances (2+3)	(4) as Per Cent of (1)
(1)	(2)	(3)	(5)	(6)	(7)
1960-61	11,38	9,03	3,07	12,10	106.3
1961-62	14,14	8,83	2,13	10,96	77.5
1962-63	18,35	8,09	2,38	10,47	57.1
1963-64	16,11	9,50	3,18	12,68	78.7
Total 4 Years	59,98	35,45	10,76	46,21	77.0
Average for 1960-64	15,00	8,86	2,69	11,55	77.0
1964-65	20,33	7,69	1,56	9,25	45.5
1965-66	19,50	10,16	1,95	12,11	62.1
1966-67	22,66	14,24	2,86	17,10	75.5
1967-68	26,58	13,33	3,51	16,84	63.4
1968-69	26,86	16,22	3,61	19,83	73.8
1969-70	30,32	18,31	3,83	22,14	73.0
Total 6 Years	1,46,26	79,95	17,32	97,27	66.5
Average for 1964-70	24,38	13,33	2,89	16,21	66.5

Source : *RBI Bulletin*, June 1974, p 1056.

Royalty arrangement is the main form of payment for technology. Of 72 per cent of the agreements, the royalty arrangement is an important clause.[12]

A summary presentation of certain main features of the transfer of technology in various types of collaborations are given below:

Executive Rights

These rights are there in 70 per cent of the private sector companies collaborating with foreign companies. The highest (72 per cent) are, indeed, in minority participation, followed by technical collaboration arrangements (67 per cent), and 65 per cent in the case of subsidiaries.

Types of Assets

With regard to assets, nearly 50 per cent are unpatented. One-fourth of the companies surveyed by the RBI had all three constituents of transferred assets — *viz*, patents, trade-marks, and knowhow.

Duration of Agreements

With regard to duration, three-fourths of the agreements with the private sector companies were of a duration of 10 years. The purely technical collaboration agreements among these had a lower duration than the others.

Type of Mechanism and Transfer of Technology

Various mechanisms of transfer of technology have different implications to the cost and character of technology transfer. At times, it is believed that technology transfer *via* minority participation and technology collaboration agreements would be more beneficial than others. It must be noted that arrangements for transfer of technology by minority participation and technical collaboration need not result in better mechanisms of transfer of technology.

Technology transferred under equity arrangements, especially in the form of subsidiaries, is more complete than others. It has been argued that minority participation provides the use of local resources and local personnel. There is also evidence that joint ventures pay lower prices for purchases of goods from the foreign parent company than does a wholly-foreign-owned subsidiary. On the other hand, the joint ventures tend to pay more than do the wholly-owned subsidiaries for royalties and for fees nominally associated with other services — such as management and purchasing.[13] Further, accessibility to the export market will be larger for the subsidiary than for the joint venture and technical collaboration arrangement.

Despite the attractiveness of licensing on the payments side, in principle, private firms have made their technology available through pure licensing arrangements only in rather special circumstances. Also, licences whether or not associated with patents, frequently serve as a vehicle for the imposition of res-

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trictive business practices by the supplier – not only with respect to export, but also with respect to other aspects of business operations including volume of output, tied purchases, and sales by the licensee and the like. What may be implicitly controlled by a parent enterprise may become explicit in terms of the licence. Licensing arrangements appear to be most common for mature, widely-held, technology and for countries whose internal market is large enough to provide an attractive reward for the firm which provides the scarce skilled personnel to transfer knowhow.

Judged by the above criteria, it can be seen that the joint ventures, with minority participation and technical arrangements, have more restrictive clauses.

Payment for Technology

Table 2 gives the remittances. In royalty remittances, surprisingly, the subsidiaries have been the most important as seen in the Table. In fact, it has increased over the period.

It is significant to note that the royalty and technical remittances in the public sector have also gone up, as is evident from Table 2. Total remittances have increased, from Rs 17 lakhs average for 1960-64 to Rs 83 lakhs for 1969-70. But it is much lower than the private sector. The average remittance was only Rs 228 lakhs in 1960-64, which went up to Rs 476 lakhs in 1964-70. In the technical fees, the government's remittances have gone down, from Rs 307 lakhs average in 1960-64 to Rs 300 lakhs in 1964-70. But another disturbing elements is that the payment in foreign currency is higher in the government sector than in the private sector as shown in Table 5.

R and D Collaboration

With regard to R and D facilities also, these collaboration agreements have not made any encouraging progress. Of the 877 companies covered by RBI latest survey, only 308 had a research and development department. Total revenue expenditure of R and D, during five years ended 1969-70, was Rs 45 crores and capital expenditure was Rs 10 crores. As seen from Table 6, of the 620 companies which had technical collaboration only 261 had R and D. Out of 433 minority companies, 144 had such departments. It must be noted that most of these departments especially those established under technical arrangements, aim purely at adaptation and adjustment of foreign technology to Indian conditions.

Orientation of research in governmental companies has been towards import substitution and production-process and product development and adaptation, which was also followed by cost reduction.

Sectorwise Purchases

Government Purchase of Technology:

Government purchase of technology has been for certain basic industries. Thus, it may be seen as consistent with the objectives. Further, although full self-reliance in technology has not been achieved, it can be claimed that it has enabled the growth of Indian technical knowhow in these sectors. The growth of indigenous consultants with government support as developed in many other public sector consultancy enterprises are good examples.

As for the high costs, these were partially inherent in the type of financing sought. Although, there has been a controversy regarding type of financing that India has sought, it is difficult to envisage any alternative form of financing which could have covered substantially the balance of payments deficits without bringing about necessary changes in the strategy of economic development and methods of financing it.

The costs have also been viewed in the context of the failure of the public enterprises to generate profits. It is very often overlooked that the managerial and technical bottlenecks cannot be easily overcome without a period of learning for which the price is paid. Further, being capital-intensive industries, their ability to generate profits in the initial period will be limited. This picture may turn bright in the context of the improved performance of a large-scale public sector undertaking, which has imported technology. As a group such undertakings have generated a profit in 1970-74 which augurs well for the future.[14]

With regard to matching long-term benefits with short-term benefits, there has been some conflict. An example of such collaboration can be cited.

The decision to import technology for tractors from Czechoslovakia, against indigenously developed technology, by the Central Mechanical Engineering Research Institute, India's 'Swaraj', is illustrative. A detailed study, made by

Table 3 : Total Technical Collaboration Remittance : Private Sector and Government Sector

(Rs lakhs)

Year	Private Sector			Government Sector			Total Inter-Company Remittances (3+6)
	Royalty Remittances	Technical Fee Remittances	Total Technical Collaboration Remittances (1+2)	Royalty Remittances	Technical Fee Remittances	Total Technical Collaboration Remittances (4+5)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1964-65	3,26	3,20	4,46	24	99	1,23	7,69
1965-66	3,22	4,28	7,50	45	2,21	2,66	10,16
1966-67	4,59	5,29	9,88	80	3,56	4,36	14.24
1967-68	4,18	5,67	9,85	1,01	2,47	3,48	13,33
1968-69	5,80	5,31	11,11	1,81	3,93	5,11	16,22
1969-70	7,49	4,64	12,13	1,32	4,86	6,18	18,31
Total six years	28,54	28,39	56,93	5,00	18,02	23,02	79,95
Average for 1964-70	4,76	4,73	9,49	83	3,00	3,84	13,33
Average for 1960-64	2,28	3,35	5,63	17	3,07	3,24	8,87

Source : RBI Bulletin, June 1974, p 1057.

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G S Arora and Ward Morehouse, reveals that: "By 1965, the first prototype of the CMERI tractor was ready; within another year, four more prototypes were prepared and given extensive trial runs in various parts of the country. The CMERI tractor which went to Budni (TTTS) for testing trials proved itself to be basically a sound machine, though some relatively marginal defects were uncovered. The TTTS tests were passed, in fact, by only three tractors — Massey-Fergusson, Zeteor, and Swaraj. And there are tractors being sold in the market which have gone through these tests.

At this time, proponents of imported technology found support from unexpected quarters. Hindustan Machine Tools, a public sector concern, was facing temporary difficulties, owing to the recession in the engineering industry. They were going in for a programme of large-scale diversification of their production. Tractors seemed one of the most lucrative sidelines they could take up. At one time, HMT had considered the CMERI 'Swaraj' as an alternative to Zeteor. But the decision went against Swaraj, as it would have taken roughly three years for the assembly line of Swaraj to be established, and the pre-production loss to be incurred would have amounted to roughly Rs 45 lakhs. Zeteor, on the other hand, was to be a turn-key job. For the first five years, the Czechs were to provide everything, including packaged sets of components ready for assembly of the tractors at a cost of Rs 40 crores to build up internal resources to manufacture majority of the components indigenously.

HMT leadership thus preferred the foreign machine on the grounds of immediate benefits. Had it considered the long-term aspects, it might have adopted a different strategy. The indigenous design, along with the competence for improving and altering it, would have been more beneficial to industry as a whole. This illustrates one of the dilemmas in making technological choice. Thus, despite HMT being a public sector enterprise, the overriding objective of the HMT management was to maximise profits — or minimise losses — even though society as a whole might have benefited more, over the longer run, if HMT had opted for indigenous instead of the foreign technology.

The inclinations of the HMT management were countered by the earlier preference of the Inter-Departmental Committee. In order to justify its preference, HMT employed the National Industrial Development Corporation to go through the relative merits of the two designs. Viewed from the narrow technical and commercial feasibility points of view, the choice in favour of the Zeteor tractor was obvious. NIDC had based its preference for Zeteor on the basis of TTTS (Budni) reports which had supported the Zeteor, simply because Zeteor's was a proved production model whereas Swaraj was only a prototype.

The most important issue brought out by this sequence is: are decision-makers to consider (a) limited sectoral development, or (b) wider development of technological capabilities? Technical comparisons and costs in the immediate future cannot be the major reason for importing foreign technology. Foreign technology from developed nations would, of course, be more sophisticated and cheaper, as it is based on mass production techniques. Indian technology on the other hand has to get chiselled and smoothed in the process of production and competition. The Indian market is yet small, and automatic machines can replace the existing forms of production only at high capital cost. Per unit cost of imported and assembled machines would, therefore, be much less than of indigenously manufactured ones. However, if our aim is to increase the technological base of Indian industry, then the money invested in India to manufacture all the components too of the machine, would further that objective.

This might be relatively less profitable for the individual concern, but is it in the long-term interests of the industry and the nation as a whole? Clearly, public sector concerns are under the same kinds of market pressures as the private sector ones. Yet the directions in which a nation wishes to advance cannot be left to the mechanics of the market. Deliberate policy decisions have to be made.[15]

Very often, because of the foreign exchange constraint, India has had to buy turn-key projects under aid. Further, consultants are often foreigners. There are a large number of cases where, despite the competence of indigenous consultants, foreign consultants are asked for consultancy services involving increased foreign exchange costs, and the bias for foreign technology of the foreign consultant inadvertently prepares the ground for import of technology. This is a predominant feature of the aid that has come from the World Bank. As a result of such conditions, even those sectors where India has developed considerably good indigenous technology do not get adequate support.

One such latest case is the food preserving technology. India has well developed technology suiting to Indian conditions. But due to the conditions on which aid is offered, Indian expertise has had to be overlooked. Fortunately, now it is stated that the Asian Development Bank is giving preference to consultants of the developing countries.[16]

TABLE 4 : ROYALTY REMITTANES

(Rs lakhs)

Year	Subsidiaries	Minority Companies	Pure Technical Collaboration	Total
1964-65	1,41	80	1,05	3,26
1965-66	1,03	1,19	1,00	3,22
1966-67	2,13	1,31	1,15	4,59
1967-68	1,59	1,58	1,01	4,18
1968-69	2,24	2,31	1,25	5,80
1969-70	2,99	2,82	1,68	7,49
Total 1964-65 to 1969-70	11,39	10,01	7,14	28,54
Average for 1964-70	1,90	1,67	1,19	4,76
Average for 1960-64	87	61	80	2,28

Source: *RBI Bulletin*, June 1974, p 1057.

TECHNOLOGY IMPORT BY THE PRIVATE SECTOR

Import of technology by private parties makes a different story in some respects. First, these collaborations have not necessarily gone into the

TABLE 5 : PAYMENTS TO FOREIGN TECHNICIANS

(Rs lakhs)

	Subsidiaries		Minority Companies		Pure Technical		Total Private Sector		Government Sector	
	Total	Of Which in Foreign Currency	Total	Of Which in Foreign Currency	Total	Of Which in Foreign Currency	Total	Of Which in Foreign Currency	Total	Of Which in Foreign Currency
1964-65	3,73	13	1,98	23	33	5	6,04	41	2,88	1,15
1965-66	4,08	11	2,23	31	38	8	6,69	50	3,71	1,45
1966-67	4,38	14	2,68	34	47	7	7,53	55	5,80	2,31
1967-68	4,28	20	2,66	25	68	12	7,62	57	6,27	2,94
1968-69	3,94	13	2,65	20	45	11	7,04	44	6,39	3,17
1969-70	3,79	10	2,19	16	36	10	6,34	36	6,93	3,47
Total for six years		81		1,49		53		2,83		14,49

Source : RBI Bulletin, June 1974, p 1059.

industries which are essential for the economy. These industries include domestic refrigerators, house service meters, pens and pencils, toys, razor blades, perfumes, toothpaste, footwear, cutlery and knives, brooms and brushes, etc. Further, the subsidiaries have gone into such luxury products as toothpastes, cosmetics, chocolates, Coca-Cola, etc. The import of technology to the production of these inappropriate products has drained not only India's foreign exchange but also its domestic capital and other resources which could have been utilised better. Second, only 40 per cent of the purely technical agreements provide specifically for the use of technology after the termination of agreements. Thus, the use of technology in the subsequent period is doubtful without another agreement. There have been repetitive multiple collaboration agreements since all the agreements are exclusive. Third, in almost all the private collaborations, the R and D to initiate the self-generating technology was not encouraged. In the seven case studies which included glass, X-ray, diesel engines, tyres, and black carbon, it was found that the technology support came essentially from the parent company. In some cases, even the top management cadres have been supplied by the collaborators. Fourth, the direct cost of this technology import is very high. There has been a steady increase in royalty and remittances of the technical fees. Finally, due to lack of foreign exchange there was permission to convert these royalty and technical fees into equity capital in the concern. This has led to some firms opting for it.

The above discussion reveals that all is not well with India's import of technology. It is, therefore, necessary to examine how the monitoring policies have been pursued.

INDUSTRIAL AND TRADE POLICIES AND IMPORT OF TECHNOLOGY

Some of the distortions that have arisen in the import of technology in India are the result of ineffective operation, and industrial and trade policy.

Industrial Policy

In the pursuit of development of industry, the import of certain luxury goods were banned. The arguments in favour of such a step were that foreign exchange was scarce. Hence, it had to be conserved. This conservation should be through the banning of luxury imports. But, unfortunately, the same logic did not get extended to conservation of capital at home for the growth-oriented industries. Thus, liberalised industrial policy implicitly and explicitly led to the growth of many industries which were strictly not in the category of developmental goods. Once these industries were permitted, they needed all the other facilities, of which foreign technical collaboration is one.

Further, this industrial policy also had a bias for foreign technology. Thus. the Imperial Chemical Industries were granted licence to produce polyester fibre on the ground that technology could be brought by this international company. It is significant that one Indian firm had suggested that it could produce polyester fibre without foreign collaboration; but it did not get the industrial licence. Similar bias has been shown in the cases of aluminium foil, automobile tyres, etc.[17]

Further, the information supplying and evaluating body had not been performing similar tasks. For instance, the DGTD which plays a crucial role in terms of looking into the technological liability of projects has certain limitations – especially of data and information.[18]

Policy towards Imports of Foreign Technology

This discussion also includes the foreign investment policy for, as has been seen, foreign investment and even aid have been the important vehicles of transmission of foreign technology into India. The policy towards foreign collaboration, even in the later years, has certain in-built limitations which will not ensure the development of a system which is selective. Right from the beginning, the government has been vague in this respect; for, conflicting objectives and conflicting pulls have made it not provide a consistent policy framework.

The Foreign Investments Board was set up by the Government of India in 1968 for consideration of application for foreign collaboration and foreign investment. The Board has a sub-committee to assist it in the expeditious disposal of collaboration proposals, with the specific guidelines offered in the policy. The policy, as stipulated, has merely issued illustrative list of industries where:

(a) foreign investment may be permitted with or without technical collaboration;
(b) only foreign collaboration may be permitted; and
(c) no foreign collaboration – financial or technical – is considered necessary.

Technical collaborations are considered preferable on the basis of recurring royalty payments, which are taxable and ordinarily should not exceed 5 per cent. Royalty is calculated on the basis of ex-factory selling price of the product less the landed cost of imported component, irrespective of source of supply. The duration of the agreement should not exceed 5 years. But a maximum of 8 years may be considered. Extension of the agreements is not normally favoured by the government. If the collaborated unit can export a substantial portion – i e, above 60 per cent – even in the non-essential sector collaboration may considered.[19]

While the Foreign Investments Board is expected to finalise the collaboration agreement, the administrative ministries have been delegated the powers to finally dispose of the applications involving only technical collaboration in accordance with the guidelines.

Those applications, which do not fall within the administrative ministries, and which involve capital formalities, are supposed to be sent to the Foreign Investments Board for final decision.[16] It may be noted that even *ad hoc* licences are issued. For instance, *ad hoc* licences are issued for Coca-Cola and Cadbury.

This administrative mechanism, with a considerable scope for discretion despite the guidelines for the execution level, has strong tendencies to depart from the original intentions of the policy-makers and from the overall objectives of growth. Moreover, the assessment of the proposal is based primarily on information submitted by the intended collaborator, himself. Evaluation of the proposal therefore, is, heavily biased due to inadequacy of independent information. The intending collaborator normally presents only the positive aspect of the collaboration. The Indian collaborator, especially the smaller ones, are very keen to have foreign technical collaboration to enhance the prestige. Thus, despite an avowed policy of selective technology for import into India, there are a large number of factors – such as inadequate information and discretionary powers – which frustrate the policy of selective import of technology. In addition, in view of lack of foreign exchange, government allows private parties to negotiate abroad for technology, loan, etc. The government, committed unwittingly to what the business firms want, approves also because it might otherwise create complications in relation to the large foreign firms and foreign countries.[20]

TABLE 6: RESEARCH AND DEVELOPMENT ACTIVITIES OF FOREIGN COLLABORATION COMPANIES

Companies	Total Number of Companies	Of Which Those with R and D Developments Established			
		Before TC Agreement	After TC Agreement	At the Time of TC Agreement	Total (2+3+4)
	(1)	(2)	(3)	(4)	(5)
(1) Subsidiaries, of which	197	19	56	5	80
(a) Pure financial	111	6	19	1	26
(b) with technical collaboration	86	13	37	4	54
(2) Minority companies of which :	433	18	115	11	144
(a) pure financial	146	2	19	—	21
(b) with technical collaboration	287	16	96	11	123
(3) Pure collaboration companies	247	35	42	7	84
(4) Private sector companies Total (1+2+3)	877	72	213	23	308
of which :					
(a) pure financial	257	8	38	1	47
(b) with technical collaboration	620	64	175	22	261
(5) Government companies of which :	41	7	4	2	13
(a) pure financial	2	—	—	—	—
(b) with technical collaboration	39	7	4	2	13
(6) Total Companies (4+5) of which :	918	79	217	25	321
(a) pure financial	259	8	38	1	47
(b) with technical collaboration	659	71	179	24	274

Source : RBI Bulletin, June 1974, p 1075.

Trade Policy

The trade policy followed by India over the last two decades, has not alleviated the foreign exchange scarcity. One of the latest attempts ostensibly to expand exports has taken the form of allowing foreign technological collaborations for vitalising the export sector, especially of technical manufactures. For, it is believed that in the world market, demand for technical goods is increasing. So, if a breakthrough is to be made in this field, it should be with the help of foreign technology. A series of policy liberalisations has therefore been effected. If a firm agrees to export 60 per cent of its production, it can import technology irrespective of what the industry is. While the rationale appears sound, there is fear that implementation would be diluted. In the past, foreign collaboration was allowed in some industries with a specific clause for exports. But the clause was waived in execution as no written commitment or guarantee was acquired from the industry. For instance, Philips were given licence for expansion, although 'radios' was in the banned list, and the condition was stipulated that they would export though at the same time there was no *specific* condition.[17] There are also difficulties in determining how to assess 60 per cent of the production, or an average, etc.

Foreign Exchange Control

In an effort to prevent excessive control by foreigners the Foreign Exchange Control Act Amendment was brought in. Legally, the Reserve Bank of India, under section 29 of the Foreign Exchange Control Act 1973, has been given powers – including the power to set aside orders of approvals issued by the government and to ask any foreign-controlled company to wind up its activities without assigning any reasons. It has been, however, given certain guidelines which should enable any foreign company to make these powers inert. One important element

TABLE 7: PATENTS GRANTED TO FOREIGNERS AS PERCENTAGE OF TOTAL PATENTS GRANTED BETWEEN 1957 AND 1961

(Per Cent)

Large Industrial Countries		Smaller Industrial Countries		Developing Countries	
USA	15.72	Italy	62.85	India	89.73
Japan	34.02	Switzerland	64.88	Turkey	91.73
W Germany	37.14	Sweden	69.30	United Arab Republic	93.01
United Kingdom	47.00	Netherlands	69.83	Trininad and Tobago	94.18
France	59.36	Luxembourg	80.48	Pakistan	95.75
		Belgium	85.55	Ireland	96.51

Source : Statistical information appearing in United Nations (1964, pp 94-95).

of extraordinary discretionary powers is the eligibility for preferential treatment for subsidiaries and branches of foreign companies which promote import substitution, sophisticated technology, or discontinuance of manufacture which may have an adverse effect on the economy. "It is indeed difficult to decide what is sophisticated technology. Even manufacturing and marketing of toothpastes and cosmetics could be said to involve sophisticated technology and discontinuance of vanaspati production could be claimed to have an adverse effect on the economy.[21]

Science and Technology Policy

Another major element that decides the actual import of technology is the science and technology policy of the government. It is neccessary to distinguish between an explicit and implicit science policy, as has been pointed out by Amilcar Herrera,[22] in connection with the science policy in the Latin American countries. The same holds in India. To quote Amilcar Herrera, "Explicit science policy is the official policy. It is expressed in laws and regulations and the statutes of bodies in charge of scientific planning in development plans and in the governmental declarations. In India, there has been considerably formalised structure developed in this context. In fact, the first attempt to formalise this was made in 1958, when a Scientific Policy Resolution was passed. This indicated the government's intent to support science and technology in order to secure for the people of the country all the benefits that can accrue from the acquisition and application of scientific knowledge.[23] Further, lot more formalisation of science policy with the above objective came into existence with certain institutional changes. But these explicit desires are not translated into actual effort consistent with national needs.

The R and D effort in India has come essentially from the government. The industry has contributed insignificantly to R and D efforts. The R and D by the government constituting 80 per cent of the total, has thus seen the outlay on it go up from Rs 29 crores in 1958-59 to Rs 214 crores in 1971-72 — a steady increase from 0.23 per cent of GNP[23] to 0.54 per cent of GNP. In the Fifth Plan, science and technology is expected to get Rs 2,950 crores — a little more than 4 per cent of the total for it in the Fourth Plan. The foreign exchange component of this is estimated to be Rs 300 crores.[24]

Unfortunately, there has been no specific policy as to the level and allocation of funds for scientific and technological activity. The main deciding factor has been the absorptive capacity of the agencies seeking funds, rather than their relevance to economic and social activity. There has been in fact a *laissez-faire* attitude to the allocation of funds which has increased the mismatch between the distribution of funds for scientific activity and the economic and social importance of the areas of its findings. Thus, in 1970-71, the R and D in agriculture — which contributes more than 50 per cent of gross national product — was only 21 per cent; atomic energy accounted for 20 per cent of the total; health and medical research were given only 5 per cent, irrigation and power accounted for 2 per cent, natural resource survey — excluding oil — received only 8 per cent, and defence 12 per cent.[25] Thus, the 'implicit' policy is quite different from the 'explicit' one.

In India this distinction has additional dimensions — stemming from (a) administrative limitations, and (b) tremendous dependence on foreign intellectual and financial support. India's administrative structure as inherited from the British was in no position to cope with the new challenges for the administration of science policy. There has been a dependence on a generalist, bureaucratic and hierarchical structure. There have thus been problems about the effective integration of economic development, objective science and technology, and technology management.

The above factor was buttressed by the motivations of Western-educated scientists who failed to translate their ideas as relevant to their indigenous situations. All this was strengthened by the technical aid India received from many donor countries. Excessive obsession with the 'internationalism of science' has also contributed to this. As a result, foreign scientists participated in policy-making, through the 'open door' policy which often stunted the growth of the indigenous development of technology.

Attitude to Indigenous Technology

India has paid considerable attention to developing indigenous technology. In fact, government has tried in fits and starts to allow indigenous technology to flourish. But the reluctance to accept indigenous technology is not confined among the private sector entrepreneurs. There has been the general position that, first, the knowhow from the Indian laboratories was 'obsolete'. Second, that the laboratories made prototypes regardless of the cost and import content; commercial firms could not take up the production on their basis because they had to be competitive. Third, laboratories having limited opportunities to advise industries were not in a position to have their say on process management, start-up, teething troubles, etc. This does not present the whole story for even public sector undertakings have shown preference for foreign technology. The cases listed by the Indian Engineering Association, to show that how the growth of domestic experience was checked, as quoted by Brahma Prasad, are illuminating.

"(a) Compressors: Application for manufacture of large compressors and pumps with domestic capital and technical knowhow were rejected (in 1966) because the government had entered into a collaboration agreement with Russia in 1959 for manufacturing them at the Naini factory. The government unit estimated to cost Rs 13.5 crores with a foreign exchange component of Rs 6.32 crores is still to make its appearance. In the meantime, they have to be imported at a cost of about Rs 2 lakhs in foreign exchange.

On the other hand, a company in western India, wanting permission to make compressors of 15,000 cfm and claiming to do so within the sanctioned capacity, was told by the government to keep the manufacturing range below 700 cfm. Another company in eastern India with installed capacity and knowhow to manufacture compressors of 2,000 cfm capacity and above was also instructed not to do so.

(b) Opthalmic glass: The official policy was to dissuade private enterprise from entering into opthalmic glass production because a government unit at Durgapur was expected to produce 300 tonnes per year. The Indo-Russia agreement to set up this plant was concluded in 1957, but owing to various reasons, it was not commissioned until September 1967. Over this period, the average annual import of such glasses can be valued at Rs 20 lakhs.

The capital cost of this plant which was originally estimated at Rs 3.50 crores actually cost Rs 5 crores on completion. The private sector claimed that it could have achieved the same output (i e, 300 tonnes a year) of opthalmic glass, using the most modern technology, with an investment outlay of only Rs 60 lakhs and within a gestation lag of less than 15 months, compared to no less than 10 years for the government unit. There has been increased emphasis on the use of technology developed indigenously. The fears are that various ways may be found to make this policy ineffective."[26]

Patent Laws

It has been established by extensive research that patents are detrimental to developing countries.[27] Among patents, the local patent-holders are negligible — as can be seen in Table 7. Hence, it gives the right to the foreigner to enjoy the advantages of monopoly — such as patenting a product, not producing a product in the host country, charging excessive price for no innovation in the technology. This is true of later years.

Main Features of the Indian Patents System and Its Limitations

Historically, many elements of the Indian Patent Law have been derived from the British system. India is a signatory to the Paris Convention of International Patents. The Indian patent system has undergone many amendments and its main features are as follows:

Duration: The patent is normally granted for 14 years. Although there is a provision in the patent law to get an extension, it is very difficult and rarely granted. (It may be noted that patents were granted for longer periods.)

Nature: Earlier, it was permissible to take patents for products as well as for processes. But, in the latest amendments, it is not possible to take product patents and only processes/techniques can be patented. However, there is a provision to get the trade marks registered. There is a provision for compulsory licensing, in case of the patent remaining unexploited.

Coverage of Patents: Patents can be granted in the name of individuals, groups of individuals, or company/institutes. This facility is extended to both Indians and foreigners.

It may be observed that a large number of patents are taken in areas/sectors which have a very high obsolescence rate, e g, pharmaceuticals, plastics, polymers, organic fine chemicals, etc. It is significant that indigenous patents constitute only a small percentage of the total number of patents granted in India.

Limitations

(i) Compulsory Licensing: Despite the provision for compulsory licensing, it is hardly effective because the patentee can give rights to a dummy party to bypass this clause.

(ii) Effects on Indigenous R and D: Patents become a hurdle in the development of indigenous R and D efforts towards technical self-reliance. One can expect a close relationship between the level of indigenous R and D capability and the need for foreign patents. For, it is feared that the host country may be able to develop indigenous technology.

The development of indigenous technology is inhibited in two ways.

(1) The existence of patents restricts the choice of the research programmes because of the fear of patent infringements; for example, many of the research projects in the area of pharmaceuticals and fine chemicals could not be considered because of the existing patents in India.

(2) Even the successful research results cannot be commercialised as a result of the existing patents.

For the purpose of illustration two cases have been cited below:

Porous Rigid Filters: Porous rigid filters are used in drilling tubewells, by which method one can save about 10 per cent of the total cost of drilling by conventional methods. The knowhow was developed in India and patented. Subsequently, it was released and commercial production was established by an Indian company. Since there was an existing German patent, his patent attorney took objection to the manufacture of this product. Consequently, the Indian party had to purchase that foreign patent.

Optical Whitening Agent: This is a fine organic chemical which is used as an optical whitening agent for synthetic fibres. Its knowhow was successfully developed, locally, but when the question of transfer of technology came up the entrepreneur demanded an assurance from the research laboratory that the said knowhow would not infringe on any existing patent in India. Subsequently, a thorough search was made, and it was found that an unutilised Japanese patent existed. As a result, the laboratory could not release their knowhow.

In the meantime a foreign company started the production of a similar product *with its own knowhow* under a trade name and flooded the domestic market. Consequently, it blocked the outlet for an indigenous entrepreneur as well as the indigenous knowhow.[28]

Patents and Import of Technology

It may be observed that most of the knowhow transferred to India is non-patented. Therefore, the argument that patents facilitate import of technology does not hold good. It only hinders the growth of indigenous R and D effort and perpetuates the monopoly hold of the foreign firms.

The entire discussion, therefore, leads to one important conclusion — *viz*, that the system even in a country like India which has overt reservations about foreign technology import and has advanced considerably in the field of developing technology, is extremely weak. It is vital to correct this if the ill-effects of the import of foreign technology were to be minimised. The committee set up by the Chairman of the National Committee on Science and Technology and the Minister for Industrial Development on 'New Guidelines for Foreign Collaboration Revision and

Refinement of the Allied List', has submitted its reports. However, a reading of the main points of this report does not reassure as to such a breakthrough.

Notes

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Perfect Circle Victor

PERFECT CIRCLE VICTOR, formerly Victor Gaskets India, has secured an industrial licence to manufacture annually 30 million pieces of piston rings for automobiles. The project is intended to be implemented in two phases in technical and financial collaboration with Perfect Circle division of Dana Corporation of the US. The first stage, to have a capacity of 18 million rings, is estimated to cost Rs 3.10 crores. It is intended to raise additional capital of Rs 101:29 lakhs, in equity shares of Rs 10 each, at par, to meet a part of the finance required for the first stage of the project. The balance of finance will come from internal resources and borrowings. Of the additional share capital, the Indian promoters, the Anand Group, will subscribe Rs 28.83 lakhs and the foreign collaborators Rs 30.71 lakhs. The balance of Rs 41.75 lakhs is proposed to be raised through a public issue some time in September 1975. The issue of additional capital will reduce the foreign collaborators' shareholding, from 55 per cent to 35 per cent. The plant buildings are expected to be ready by September 1975, and production is likely to commence by January 1976. PCV expects to achieve the production programme of the first phase of the project in the third year and that for the second phase in the fifth year. According to Satish Anand, managing director, the present production of piston rings in the country is 19 million pieces per annum, while demand is placed at around 38 million pieces. The 12-year-old PCV has an impressive past record of earnings and dividends. Its sales steadily rose from about Rs 73 lakhs in the year ended August 1970, to Rs 195 lakhs in 1973-74; and gross profit from around Rs 9 lakhs to Rs 19 lakhs over the same period. In this period, the company paid dividend at 15 per cent per annum for the first four years, and reduced it to 12 per cent for 1973-74 on account of restrictions on distribution. Anand estimates a turnover of Rs 250 lakhs and a gross profit of Rs 28 lakhs for the current year. The proposed public issue is to be managed by FNCB's Management Consultation Division.

Effect of Indexation on Savings in Developing Countries

Pronab Sen

The index-linking of all monetary variables in the economy should have the effect of increasing the volume of real savings in it. There are undoubtedly effects which would tend to reduce savings, but there is sufficient evidence that the aggregate effect of all determinants would be positive -- at least on an a priori basis.

Even more importantly, index-linking may have an impact upon the investment climate of the country. Not only would savers find 'inflation proof' assets to invest in, but these assets would be used to finance projects with higher rates of return than earlier.

Moreover, such productive investments would now be considerably more attractive than conspicuous consumption or investments in consumer durables. These effects which lead to a marked improvement in efficiency is as important as an increase in the capital stock for sustained economic development.

INFLATION, in today's world, is no longer a transitory domestic phenomenon. It has become persistent and severe, and is often caused by factors beyond the control of individual countries. It has had very adverse effects on the development of a number of developing nations. Whereas *mild* inflation may be not only a concomitant of development but also one of the basic factors underlying sustained growth, *severe and persistent* inflation acts as a major constraint on the development of an economy.

This paper does not go into a discussion of the relation between growth and a rise in the general price level, or the trade-off between price stability controversial issue. This paper aims controversial issue. This paper aims to formulate the lowest rate of inflation necessary for any given rate of growth.

Persistent inflation has a number of effects, mostly adverse, which may be divided into three major categories:

(a) Social — inflation tends to redistribute income not merely among people, but also among sectors. The undesirability of such redistributions would of course be heightened by the national goals and priorities.

(b) Balance of Trade — inflation readjusts the real terms of trade against the country, and consequently has a serious effect on its balance of trade. This is particularly so when the country is operating under any system other than that of perfectly flexible exchange rates.

(c) Economic Decisions — inflation creates a number of distortions in the markets, which lead to a disparity between the desirable and actual outcomes of various economic decisions, such as savings, investment, resource allocation, etc. The decisions which are affected in particular are those which have a time-dimension.

These are by no means watertight categories. There are significant relationships among them, and these overlappings become evident when we try to analyse the effects of inflation on any one of them. It is our intention, in this paper, to examine the effects of inflation of the third category — i e, economic decisions — and analyse the efficacy of index-linking in ameliorating the adverse effects on them. In this analysis, it may become necessary for us, however, to refer constantly to the other two categories to fully appreciate the extent to which such measures are applicable and their policy implications.

We have restricted the scope of this paper to include only the effects of inflation — and hence indexation — on the level of savings in an underdeveloped economy. This is because aggregate savings are one of the most important determinants of a country's immediate growth potential. In theory, a high level of savings is a *sine qua non* for any substantial increase in the per capita income of a country. But we cannot be talking about savings *in vacuo*. Savings, as mentioned earlier, represent the potential for growth. It is investments, however, which bring that potential into fruition. We will, therefore, be constantly referring to investment.

One point remains to be clarified. What do we mean by an underdeveloped economy in our constant referral to it? The developing countries of the world undoubtedly differ considerably from one another, in their institutional and economic structures. There are, however, a few common characteristics upon which we are basing our analysis. First, these countries generally have per capita incomes which are well below the world mean. We are here talking about real per capita income. Along with this low level of income come a host of other characteristics — such as an extremely low standard of living, a relatively low average level of education, lack of investible capital, lesser labour mobility, etc. Moreover, many — although not all — of these countries tend to have a high rate of population growth.

Secondly, most of these countries have a distinctly dual character. They have a backward sector and a modern sector, which are clearly distinguishable one from the other. This duality is present, not merely in the commodity and factor markets, but also in the money market. The backward sector may be characterised as a primarily agricultural sector, although some manufacturing activity of a fairly primitive type is also usually present. The level of technology used in this sector is generally very low. There is usually heavy dependence on land and labour, and little capital is used. A substantial portion of this sector's production is used for self-consumption, and only a relatively small fraction finds its way to the commodity markets. The factor markets are highly localised, and there are very little factor movements among different parts of the country. The money market, too, is fairly unorganised: it comprises mainly professional moneylenders, large traders, landlords, and sometimes certain agricultural banks.[1] In this market, too, as in the others, there is little information and mobility outside of the local area.

The modern sector in such economies is usually urban and industrial in nature. The level of technology used here is generally quite high. The commercial sector is fairly well-developed, and hence products move freely from one market to another. The factor and money markets too are quite well organised. There is a substantial movement of information and factors – including movement of capital and entrepreneurs – among the different parts of the country. The money markets are dominated by commercial banks and other large and developed financial institutions – both private and government.

The two sectors are quite distinct. They are connected by a number of traders, however, who operate on both the product markets, and also by large exporters, wholesalers, and landlords, who operate on both the money markets. The relative size of these transactions is small, and the effect which one sector has on the other is almost negligible. Nevertheless, these intermediaries are very important – in terms of the commercial linkage which they provide, and the concomitant value-added that they extract.

This is the broad setting in which our paper plans to analyse the effects of index-linking. The paper is divided into four major sections. The first section examines the concept of saving in the context presented above. In it, we shall outline the major determinants of savings, their relevance and empirical relation to savings. We shall also briefly discuss the effects of inflation on savings – either directly or through one of the determinants. In the second section, we will present a short analysis of indexation: what it hopes to achieve and what it has actually achieved until now. We shall also attempt to clarify certain technical aspects which are necessary to the creation of an appropriate index. Finally, in this same section, we will give a brief history of the development of the theory of indexation. In the third section, we shall attempt to bring the previous two sections together in order to provide an analysis – mainly theoretical, but, when possible empirical too – of the probable effects of indexation on savings and investments. It is hoped that, in this section, we will be able to outline the possible policy implications of the analysis. In the final section, we shall present a short and, hopefully, succinct recapitulation of the earlier analyses, including the theoretical and technical aspects of indexation in terms of policy formulation and implementation.

Saving: Definition and Determinants

We shall be using the term 'savings' to mean the level of aggregate savings taking place in an economy. This will include savings by households, government, and business enterprises of all sizes and forms. There have been a number of studies which have attempted to analyse the determinants of savings in less developed economies. Most of these studies have concentrated on household savings, and the factors affecting it. The main determinants of household savings are:

(a) Current Income – studies suggest that "consumption or savings does respond to variations in current income, but the relationship is erratic and somewhat weaker than for advanced countries."[2] The study does not bring out whether reference is being made to real or nominal income. In the context of inflation, this is a very important distinction. It does seem plausible, however, to assume that at low levels of income, *real* purchasing power would have a greater significance than the *nominal* income. Hence, so long as the rate of inflation outpaces the rate of growth of current income, the relative level of real savings would tend to fall.

(b) Permanent Income – this term is being used in the same sense as Milton Friedman has used it. There have been very few studies on this, and those which have been made are at a quite infant stage. The evidence to date, however, appears to be in favour of the hypothesis that permanent income has a definite effect on savings. The incidence of persistent inflation would alter the perception of the level of "permanent income". In which direction this change would occur is dependent upon the psychological effect which inflation has on various societies. This is as yet somewhat indeterminate, and it provides an interesting issue for further empirical analysis of the econometric type.

(c) Wealth – in a number of econometric studies wealth has been found to have a statistically significant effect on savings. "Its influence on savings per time-period is most often found to be negative, which is consistent with a 'target' or 'normal wealth' theory of saving. . ."[3] It has also been found that wealth and income interact in their effect on saving. Under our assumption of persistent inflation, it again becomes difficult for us to gauge precisely the direction in which the wealth factor will affect the level of savings. There are two possibilities that are present. First, the nominal value of existing wealth may rise with an increase in the general price level. This would lead to a decline in the savings, according to econometric findings. Secondly, inflation may alter the target or normal wealth level upwards, to meet expectations of higher prices in the future. This would have the effect of tending to increase the level of savings. Which of these effects would prevail depends largely upon the change of perception and expectations which would occur in any given sociological structure.

(d) Distribution of Income – a number of econometric studies have been made to study the effect of *distribution of income* on savings in the Asian context. Most of these studies have shown a definite relationship. The has, however, been a tautological discussion, in that, any shift of income from people with low marginal propensity to save to people with high marginal propensity to save has been assumed to raise the level of savings. The question nevertheless remains, what are the redistributive effects of inflation. If inflation leads to reallocation of incomes, from people with low marginal propensities to save to people with high marginal propensities to save, then total savings may increase – although, of course, any individual or group recipient of income would, at a given level of income, save less under inflationary expectations than under expectations of price stability. Inflation will lead to a shift of income towards profits and away from the wage and salary class. Such a shift would result in higher savings, if there is no corresponding increase in the dividend payments, which would distribute the additional income to the shareholders to be partly used for higher consumption. This conclusion is, of course, based on *the assumption* that firms tend to save and invest a larger share of their earnings than do individual households. This is not to imply, however, that profit distribution is undesirable *per se*. Although a large portion of the dividends would be consumed, yet the part that is saved may

form an efficient capital market – a major factor in economic development itself in a market economy.

Another redistributive effect of inflation is the transfer of income from lenders to borrowers, because the repayments of the interest and principal are usually fixed in nominal terms. During inflation, therefore, these repayments decline in real value. This would create a situation where the demand for loanable funds, for both investment and consumption, would be increasing, whereas the supply would tend to diminish. This would be particularly true if the movements of the rate of interest was constrained by institutional rigidities, which would discourage savings by everyone, except the institutional savers who would themselves be simultaneously investing.

(e) Taxes – a number of econometric studies have shown that saving is inversely related to direct taxation for households. The effect of indirect taxes has yet to be fully analysed. It seems likely, however, that indirect taxes – which essentially lead to an increase in the prices of commodities – would have roughly the same effect as inflation. In other words, the effects of such taxes would be felt by the other determinants of savings as has been described earlier. The only difference that may have an effect is that the incidence of such taxes would not leave much scope for variations in price expectations.

In the context of inflation there is another kind of taxation that occurs. This is the concept of the 'inflation tax'. This arises from the steady depreciation of the real value of money being held by individuals. The revenue from this tax accrues to the government and other 'issuers' of money. This 'tax' provides a strong disincentive to hold idle money reserves, and hence may well have the effect of channelling nominal savings into more productive investments. But it is equally likely that this only has the effect of causing money-holders to invest in non-productive inflation hedges – such as consumer durables. With direct reference to savings, however, such a 'tax' will have an effect similar to that of a direct tax. In other words, at higher levels of inflation, the incidence of this tax increases, and consequently people tend to save less.

It may be argued that the 'inflation tax' provides an increase in revenues for the government, and that it is possible for the government to save and invest a greater share of this increase in resources than would have occurred in the case of the resource remaining in the hands of the public. This stand presumes that the government has no other source of obtaining resources without recourse to this method. This is patently untrue. It is well within any government's power to raise revenues without incurring the negative effects of this method.

(f) Interest rates – it is generally accepted, and has been shown in a number of econometric studies, that interest rates and savings are positively related. In most cases, the rise in the general price level far exceeds the rise in the rate of interest. This happens primarily because of a number of institutional rigidities, which prevail in the determination of interest rates.

Examples of this are the government-imposed ceilings on interest rates and other usury laws. In many countries, the effect of price levels creates a condition where the banks pay a negative real rate of interest on savings deposits. In this type of a situation, again, people would generally tend either to lower their savings or to use them in purchasing inflation hedges. On the other hand, borrowers of funds sometimes have to pay negative real rates of interest because of ceilings imposed upon the rates which the banks can charge. This creates situations of severe misallocations of investible resources since almost any project that yields even a marginal positive return on investment becomes profitable. This may well cause the efficiency of capital usage in the country to diminish. Such an occurrence is practically intolerable where capital is relatively scarce – and hence it should be used with maximum efficiency.[4]

These factors, affecting household savings behaviour, would affect the units in both sectors of our dual economy model in more or less the same way. There are, however, some major sectoral differences in the savings behaviour of the economic units. These differences are highlighted by the existence of inflationary conditions.

In the modern sector, where the money markets are dominated by commercial banks and other large financial institutions, the effect of inflation on the real rate of interest is very marked. This is because governmental restrictions on interest rate levels are far easier to enforce in such organised institutions than in the unorganised money markets of the backward sector. Moreover, since most of the savings of this sector is channelled through these financial institutions, there is a strong disincentive to save. This is reinforced by the fact that, during such inflationary periods, stocks and bonds present a degree of risk which is much higher than that which is acceptable to the average individual, who has to operate with a limited portfolio. In the backward sector, on the other hand, where most of the savings generated are used for self-investment, this problem does not really exist.

There is another, very important, aspect to this intersectoral relation. During times of persistent inflation, there is considerable pressure on the government to hold down the prices of certain commodities. Food is one of these. Usually, as a result of this pressure, some kind of a price restriction is put on food. Such an occurrence drastically alters the terms of trade against the backward sector, which is the primary food producer. This imbalance between the prices in the two sectors has two immediate effects. First, the real income – and hence the standard of living – of the backward sector diminishes because the income received by them cannot expand as fast as the increase in the price level, due to the regulations. Also, this has the usual income effect of reducing what little saving had existed. Secondly the agricultural sector becomes a far less attractive proposition for investments as compared to other sectors. This would cause a transfer of the already limited investible capital in agriculture to the modern sector. In a situation where there already is limited availability of food and a steadily increasing population, such a transfer can well have very ominous consequences.

It can be seen from the preceding discussion, that the overall effect of inflation on savings – or at least on productive savings – is unfavourable. We have developed at least a *prima facie* case for showing that this is so. We have purposely left government savings out of this discussion, because we feel that it has enough resources at its command, to circumvent the ill-effects of inflation. It now remains for us to see what measures can be taken

to ameliorate this situation, and how effective these measures can be.

Description and History of Indexation

Earlier in this paper, we have frequently used the term index-linking or indexation. It is the purpose of this section to define what we mean by this term and provide some background as to its applicability. In the most general terms, index-linking — or alternatively value-linking — may be defined as the use of an economic parameter, or parameters, for the purpose of maintaining a level of relative stability among the various monetary variables in the economy. These economic variables include the terms of financial contracts, wages, salaries, and taxes. The parameters that are used may be classified under five broad categories. The use of any one type of index depends upon the policy application desired. These five categories are:

(a) *Index of Prices in General* — since the main effect of inflation is to distort the price structure and lead to misallocations of resources, it would seem that an index representing general prices would be the most appropriate basis for adjustments. An example of such index-linking is the use of the cost of living index, in certain developed countries (e g, Finland and Israel). Another index that can be used in this category is the wholesale price index.

The problem with these indices is that they use mainly prices prevailing in the commodity markets, without giving adequate weightage to self-consumption, which, as mentioned before, is prevalent in the developing countries. The inclusion of such non-marketed production can theoretically be included in the index. But it is a very difficult proposition, in terms of technical feasibility, to gauge this omitted factor accurately. In other words, such indices have a built-in bias against the backward sector, because of the practical difficulties which arise in the construction of the index.

Despite this disadvantage, such indices are still the best alternative when the objective of indexation is to maintain the structure of the relative prices.

(b) *Foreign Exchange Index* — in this case, the basis of the linkage is the exchange rate(s) with an external currency or currencies. This system has been used in the past, and a number of financial institutions in the developing countries have insisted on such linkages, particularly for financial contracts. This method is useful when the objective of linking is to protect the financial intermediaries who engage in the international transactions.

There are a number of problems in this method. First, it is very difficult to determine accurately the movements in exchange rates, particularly if the country is operating under a system of floating exchange rates. Secondly, the use of such an index for the whole economy would create major distortions in all sectors other than the foreign trade one, since such an index would be taking into account not only changes in the domestic price levels but also in the international price levels. Hence this is not a particularly useful index for linking all the monetary variables.

(c) *Specific Price Indices* — the next method is to use the price of a key commodity or a combination of the prices of a few of them as an index. This system has been used in Chile, Brazil, France and Argentina for various purposes. This, again, is a system which is meant to cater to certain specific objectives and sectors. It is *not* advisable to use such an index for general purposes because of the reallocative effects it creates. These indices have fairly limited applicability and, at best, can be used only as interim measures.

(d) *Other Types of Indices* — finally, there are a number of non-financial indices that may be used. Such indices may refer to levels of production — a production index — as used in France and Argentina. Another method may be to use certain *ex-ante* stipulations which would be incorporated in the determination of the future levels of the variables under consideration. This could be done by having fixed surcharges — as used in Israel and Brazil — or by stipulating fixed percentage increases over a given time-period. Such methods cannot validly be termed 'index-linking', since they are basically indirect methods of reducing the impact of inflation upon risk.

In the rest of the paper, we shall be assuming that we have at our disposal a perfect index of the general price level. We will also be assuming that this index is perfectly flexible insofar as it can readily take account of any movements in relative prices and quantities. Admittedly, such an index is almost impossible to devise and implement in practical terms. But such a simplifying assumption is necessary to continue with our analysis of the effect of indexation on savings in the context of persistent high rate of inflation. The devising of a surrogate for such a perfect index is an empirical task, and would vary from country to country — according to the differences in the economic, political and sociological institutions.

The proponents of index-linking claim that it would reduce the adverse effects of inflation. This would occur for a number of reasons. First, the indexation of financial contracts would provide an inflation-proof asset, which would serve as an incentive for saving by the lower-income classes. They would also ensure that such savings are channelled into productive investment. Secondly, it would ensure that the rate of interest did not lag behind other prices, with all its concurrent allocative effects. Thirdly, it would tend to reduce peoples' price expectations and prevent speculative purchases of durables and inventories. Fourthly, it would reduce the borrowing costs for the government, since the bond issues would now be more attractive. Moreover, it would also provide the government with an additional instrument of monetary control. Finally, it will increase the incidence of long-term capital movements.[5]

All these arguments have been contradicted, almost point-by-point, by the opponents of indexation. Much of this debate has been mainly rhetorical and, at its best, analytical. Little or no empirical studies have been made, however, to validate either of these positions. The main point that the opponents of index-linking make, with a large measure of validity, concerns the host of practical problems which would arise because of the inadequate indices and inefficient implementation and administration.

Index-linking has been discussed in economic literature for a considerable period of time. During the nineteenth century a number of economists made references to forms of indexation. Notable among these, was Alfred Marshall — who, in 1887, argued for forms of government bonds and debentures which would yield a constant income. Earlier than this, Stanley Jevons (1875), G Porter (1838), and Joseph Lowe (1822) had discussed the feasibility of index-linking. In the post World War I period, these ideas were resurrected by a number of economists, Fisher (1928, 1934) and Keynes (1924) in particular. These economists were generally in favour of indexation for a number of diverse reasons.

In the Scandinavian countries, there have been a number of important studies in this field. The studies by Palander (1957), Lindahl (1929), Arvidsson (1959), and Ahtiala (1967), are notable among these. These authors presented not only some analysis of the theoretical aspects of index-linking, but actual methods of implementation as well. It is of no particular surprise, therefore, that these countries, particularly Denmark and Finland, have experimented with several forms of indexation. Most of these studies, however, have lacked a complete rigorous analysis of the theoretical aspects of indexation, especially on its effect upon saving, investment, monetary policy, and other economic decisions. Moreover, none of them has been backed up by any adequate empirical study of the conclusions.

Inadequate though the literature for the developed countries is, that for developing countries is almost non-existent. Direct application of the existing literature to developing countries would be of little help, because of the vast differences that exist in their economic structures. It is not as if no data exist on the less developed countries. Brazil, Argentina, and a few other South American nations, have extensively experimented with index-linking. Based on these an exhaustive theoretical study needs to be made, keeping in mind the institutional structures of developing countries, before the effects of indexation can be really understood in this context. In this paper, however, we do not intend to provide such a broad analysis of this vast topic. We shall be concentrating on the effects of indexation on only one of the important variables, *viz*, savings, in the context of a high rate of inflation. It must be noted that the following analysis is based on the assumption of total and comprehensive indexation. Partial and/or sectoral indexation would tend to create greater distortions than those existing.

Effect of Indexation on Savings

In analysing the effects of indexation on the aggregate level of saving in an economy, it is convenient for us to divide the underdeveloped country into its two basic sectors — modern and backward — and use this sectoral approach as our analytical framework. As we have mentioned earlier, there are significant differences between the two sectors which make it difficult for us to consider them conceptually as a single economic entity. Moreover, by using this sectoral approach, we can readily highlight the policy implications of indexation. It must be remembered, here, that by 'index-linking' we are referring to the use of a perfect, general, price-level index as 'an escalator' for financial contracts, wages, salaries, and taxation.

In the modern sector, where the application and enforcement of the index is relatively simple, and where the people in general are more flexible and react faster to economic changes, the effects of index-linking would be felt in a fairly short period of time. One of the first impacts of such a measure will be to reduce the uncertainty about future levels of real income, which will have a definite effect upon people's expectations. Since a person's current nominal income will tend to move along with the general price level, his real income will not be changed. As a result, there should be no fall in his level of nominal and real savings. Along with the consequent rise in nominal saving, it seems quite plausible that, even the real savings, may rise. The reason for this is that, since the nominal income is rising, if there is even a marginal effect of nominal current income on real savings, it would result in a higher increase in savings than any increase in the income. Aggregating this over the whole sector, the total increase in real savings may well turn out to be substantial.

The effect of indexation on savings through the permanent income and wealth factors still remains indeterminate. This would depend largely upon the perceptions and expectations of the individuals. It seems very likely, however, that indexation would tend to move the 'target' wealth-level upwards, since the values of all other monetary variables would be increasing. This would certainly create a pressure for larger savings. Whether or not this would be sufficiently high to compensate for the effect of the rise in the nominal value of wealth holdings is again a debatable point. It may be asserted, though, that if initially there had been a fall in savings because of the wealth effect, index-linking would tend to make this fall smaller in magnitude through the effect described earlier. This difference in the magnitudes would be the equivalent of an increase in real savings through the use of indexation.

The distribution of income, too, would be substantially affected by the indexation policy. The redistribution of income toward profits — and away from the wage and salary class — which takes place under inflation, would be checked. Admittedly, this may lead to a decline in savings; but, if equity is one of the national objectives, this is a relatively small price to pay. The other redistributional aspect of inflation — that of a transfer of income from lenders to borrowers — would be diminished too, since the repayments of the interest and principal would now be fixed in real terms. This would have two significant effects. First, the demand for loanable funds, particularly for consumption, would decrease as a result of the increase in the 'cost' of borrowing. Secondly, the supply of loanable funds may well increase significantly, because of the more attractive market for them.

The indexation of taxes has some very important policy implications in terms of its effect on savings. Under conditions of inflation, with rising nominal and possibly falling real incomes, the burden of direct taxes would start falling on some groups of people who, under normal conditions, would be exempted. The reason for this is that, the direct tax structures are generally specified on the basis of nominal incomes. Hence, any increase in the nominal income — irrespective of the directional movement of the real — would lead to an increase in the incidence of such taxes. General indexation would have two effects in this context. First, the indexation of income receipts would maintain the level of real income through an increase in the nominal receipts. Secondly, an escalation clause in the tax structure would raise the levels of the tax limits. The net result of these two effects would be to yield the same real revenue to the government while maintaining the real value of the disposable incomes of the individuals. This should have the effect of curtailing the drop in savings that would have occurred had indexation not been imposed.

As far as indirect taxes are concerned,

their effect on savings and consumption would remain unchanged if such taxes were taken into consideration as a part of the general price level in the creation of the index. This would be because, in these circumstances, the relative magnitude of such taxes would remain unchanged, although the absolute would change. Indexation would also ameliorate the adverse effects of the 'inflation tax', since the holders of real money balances would not be penalised for their saving. Of course, it is likely that it may cause people to indulge in increased consumption instead of investing their savings. But this should not be a serious problem, since the indexation of financial contracts would provide a far more attractive depository for the money than any earlier form. This should also draw away a part of the savings that were invested in non-productive holdings such as consumer durables.

Finally, the effect of indexation, through the rate of interest, is interesting in a number of ways. In the first instance, it will no longer be necessary for governments to impose artificial restrictions upon the interest rate, since the rest of the economy would now adjust automatically to variations in it. This would cause the real rate to remain fairly stable, providing a positive interest rate to both lenders and borrowers. This should cause the level of savings to increase, given the assumption that savings respond favourably to an increase in the interest rates. Secondly, it should have the effect of channelling the scarce investible resources into projects which would yield a higher positive rate of return, causing an improvement in the efficiency of capital utilisation in the economy.

In the backward sector, there will be a considerable time-lag before the effects of indexation become apparent. The problems of implementation and enforcement of index-linking will generally be quite considerable. This will be particularly true of the financial contracts and wages. In the unorganised money markets that exist in this sector – which usually have inordinately high interest rates – the enforcement of such measures would probably protect the borrower rather than the lender. If this can be properly done, the effect may turn out to be a considerably greater volume of investment in this sector. Of course, it is quite possible that the savings may be driven out *into* the modern sector, but the control of this is a policy decision.

The indexation of wages may prove to be even more difficult because a fair portion of such wages are often paid in kind. It is appreciated that payments in commodities have a *de facto* indexation built into them. If, however, the agricultural prices are artificially depressed, then the real income is lowered through inflation. The removal of the restrictions on such prices would partially solve this problem, almost automatically.

Assuming that such a policy is adopted, and that the money wage rates are also indexed, the overall effect should be to raise both the nominal and the real incomes. This is likely to have two major effects. First, savings would rise as a consequence of increased current and permanent incomes. Secondly, it is possible that the marketed surplus coming out of this sector would increase because of the rise in the real cost of self-consumption.

Since most agricultural taxes are based on some form of land revenue, 'indexation' of such taxes should have no serious repercussions upon savings. There is a possibility of a decrease in the volume of savings, but it is negligible, compared with the increased revenues accruing to the government. Finally, the distribution in the backward sector would be affected to the extent that the transfer of income, from the rentier and wage classes to profit-making classes, would be checked. This may have the effect of increasing the real income of the rentier class, who generally have the highest propensities to save and invest within this sector, and the savings by them.

If the controls on the agricultural prices were removed during the indexation process, then the terms of trade, which had shifted against the backward sector during the period of uncorrected inflation, would return to the pre-inflation level, and may even improve relative to it. This may promote greater saving and investment within the sector, and may even attract some capital away from the modern sector. Whether or not this is desirable is a matter of national policy.

Finally, it should be mentioned that indexation would very seriously affect groups of people who operate on *both* the sectors – either in a commercial role or as financial intermediaries. These people, in general, extract a relatively large profit from their operations. The savings are usually not invested productively by them, but rather are invested in speculative inventories or real estate. Indexation should have the effect of severely limiting these speculative activities of theirs – and, consequently, their profits. This reduction in incomes would be redistributed between the producers and the final consumers. Such a change may reduce the savings from this group, but the reduction in investments would be negligible.

Conclusion

As we have seen in the preceding sections, the index-linking of all monetary variables in the economy should have the effect of increasing the volume of real savings in it. There are undoubtedly effects which would tend to reduce savings, but we feel that there is sufficient evidence that the aggregate effect of all determinants would be positive – at least on an *a priori* basis. Even more importantly, index-linking may have an impact upon the investment climate of the country. Not only would savers find 'inflation proof' assets to invest in, but these assets would be used to finance projects with higher rates of return than earlier. Morever such productive investments would now be considerably more attractive than conspicuous consumption or investments in consumer durables. It is hoped that these effects would lead to a marked improvement in the efficiency of capital utilisation. Such an improvement in efficiency is as important as an increase in the capital stock for sustained economic development.

In this study, we have concentrated upon a specific type of index – a general price index. As we mentioned earlier, the purpose of such an index is to maintain the structure of all relative prices, and protect it against the distortive effects of a high and persistent inflation. Although this is the prime objective of such an index, it does have other effects as well, such as the alteration of the relationship between the two sectors of the economy. Whether or not such effects are desirable is a policy decision. Depending upon the policy objectives, the form of the index can be changed to incorporate the desired effects. In this paper, we have not attempted to provide such an analysis, since these decisions are specific to each country and situation. It must be noted, however, that changes in the forms of the index will have an effect not only upon the variable at which it is aimed, but also on a number of other variables. Such indices should be analysed very carefully, and all the effects should be taken into account before being implemented. Otherwise the side-effects may be so severe that they may well offset the benefits.

We may wonder why it is that, if index-linking has such a positive effect upon savings and investments, so few developing countries have adopted it. The answer is a historical one. Even until today, a number of countries have had institutional and legal barriers against escalation clauses. As a result, there has been little experimentation with index-linking. What little has taken place, has been aimed at very specific and limited objectives. Moreover, there never has been any thorough empirical analysis of even these few experiments. The result of this has been considerable uncertainty about the efficacy of indexation. A purely theoretical analysis is rarely as convincing as a good empirical demonstration. The complexities of creation, implementation and enforcement of an appropriate index also provide a deterrent effect. To overcome these problems, and to increase our knowledge of index-linking, we require a systematic empirical analysis of all the existing data, and some more bold attempts at experimentation by the governments of the developing nations.

Notes

1 For further details see: Bhatia, K B. "Index Linking of Financial Contracts: A Survey of the State-of-the-Arts", June 1974, pp 4, 5.
2 Snyder, Donald W, 'Econometric Studies of Household Saving Behaviour in Developing Countries: A Survey', *The Journal of Development Studies*, January 1974, Volume 10, p 141.
3 Snyder, D W, p 145.
4 For the details of these econometric studies see: Houthakker (1965); Gupta (1970, 1972); Ramanathan (1969); Kelley and Williamson (1968); and Betancourt (1971).
5 The details of the pros and cons of indexation are provided in very concise terms by K B Bhatia (1974), pp 9-12.

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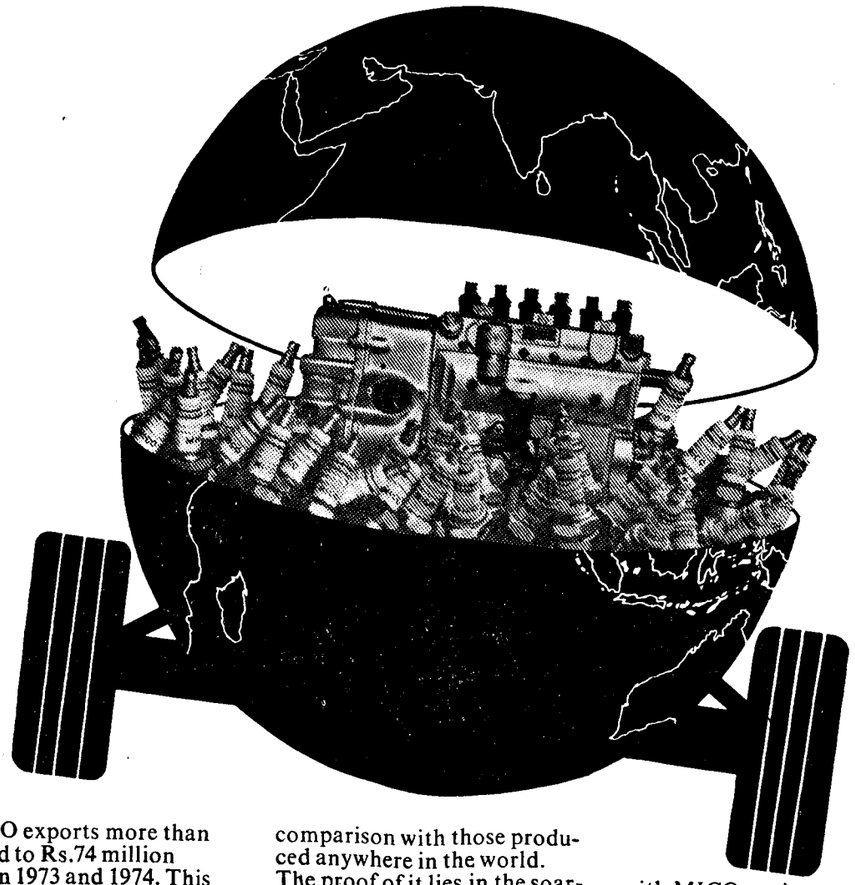
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INTERNATIONAL AFFAIRS

Building the Great Wall

G P D

An unknown boatman has just told me a great wall is going to be built to protect the Emperor. For it seems that infidel tribes, among them demons, often assemble before the imperial palace and shoot their black arrows at the Emperor.

— Franz Kafka: "The Great Wall of China"

IT is extraordinary how little the world changes. Most political commentators have been telling us about the fundamental and far-reaching changes in the international system. They think that the post-Second World War world is almost unrecognisable. From a bipolar world, so the legend runs, we have moved into a multi-polar world. The golden age of 'detente' has arrived. The 'twain' have met. It's a more peaceful, more secure world. Of course, there are contradictions and serious ones, too, but the spirit of detente will see every one of us through, provided that the 'US imperialists' or the 'Soviet totalitarians' (you can pick and choose whom you will) do not misbehave. The world has changed.

But has it really? Following the Second World War, everybody talked of subversion, insurgency, expanding communism. It was — to borrow Kafka's imagery — the case of the demons shooting the black arrows at the Emperor. One would have thought that it was a long time ago that the people who matter talked of this problem. But then the world has not really changed much. Thirty years after the World War and sixteen years after the Camp David talks, the powers that be are still seized of this problem: How does one deal with the demons? How does one build the great wall? The world has certainly not changed since the days of the Emperor who completed the Great Wall.

It cannot. Because the emperors have not changed. Our political analysts — learned as they are — may well talk of the great changes in the world; the emperors themselves seem to know better. The Australian Deputy Prime Minister, who was in Delhi recently, talked of the "best guarantee against armed insurrection in Asia". President Marcos of the Philippines, and Kukrit Pramoj of Thailand, have only last week touched upon this problem. The Thais, the Filipinos, and the Australians, all seem to think that the relations with the US or alternately the character and the extent of American presence in the Indian Ocean or on the South-East Asian mainland, is the crucial factor in these governments' capability to meet the threats of the local insurgents who in most cases happen to be communists.

So insurgency is the problem. It was the problem of Asia in the eyes of the Achesons and the Dulleses and their allies. Two decades later, it still remains the central problem of Asia. At least Marcos, Pramoj, J P Cairns, and others seem to think so. The world has not changed. To put it a little differently, the problem of these leaders is that the world has changed all right but the same process beginning with China seems to repeat itself. The demons continue to shoot black arrows at the Emperor!

Major Threat Internal

There is one major realisation which is new in the situation. It was not perceived by the Australian leaders then, that the major threat to the security and the stability of their regimes was mainly internal. The external factors are merely of peripheral importance. The military pacts of the fifties were the product of the earlier anachronistic perception. The threat was mainly external and it could be met by military means. Therefore the alliances.

Now the thinking seems to have undergone a little change. External powers' commitment to your security can be futile at best, disastrous at worst. The slogan now seems to be that the Americans must go. The third-world Brahmins must *appear to be* self-reliant and patriotic. Consequently, one increasingly hears and will continue to hear brave anti-American (or unfriendly to Americans) noises in more and more Asian states. Where the arms and repression do not help, perhaps a little patriotism will. It was not for no reason that a rather famous Russian once described patriotism to be the last resort of the scoundrels.

Some of our socialists, however, seem to be delighted at the cacophony of the anti-American noises in Asia. They seem to think that Diego Garcia can be a nice rallying point for J P Cairns, Kukrit Pramoj, and Indira Gandhi. It certainly seems plausible that some kind of anti-Americanism whether on the question of Diego Garcia or on the landing of the marines in an Asian State will become, and is indeed becoming, increasingly fashionable among the ruling elites of Asia. How these socialists benefit from this, is, of course, a big mystery. But then our socialists have never been particularly easy to understand! They seemed to think that the world has changed. If Marcos, Pramoj (and, for that matter, Indira Gandhi) are occasionally harsh on the Americans they seem to get some cheer out of it.

Nevertheless, they miss the central point. The world has changed in a manner which completely befuddles them. Vietnam, Cambodia, and Laos have changed. The major, and so far the only successful, cause of real change in today's world has been the liberation war. The Asian leadership seems to have grasped it very well. They tried 'reliance on imperialism' to meet the threat to begin with. It failed. They are now trying anti-imperialist rhetoric to meet the same threat. No matter what our socialists tell us, it is no more than a device to meet the increasing threats to security and stability from within.

But then it is only a device. The mistake of the Asian elites in the early fifties was to confuse a basically political issue with a military one. This confusion occurred because nobody was then willing to see that the internal threats to security (or stability) have precious little to do with the outside powers. Today the mistake lies in assuming that the reality of instability can be drowned in the international rhetoric of radicalism. It does seem plausible, particularly in India, that the game might work because a section of the 'socialist' opposition can be tendered irrelevant by such rhetoric. The problem, however, is that these socialists were *never* much of a trouble anyway. More and more the real 'trouble-makers' are seeing through the rhetoric. Therefore, it is important for the Asian leaderships that they build the great wall. Otherwise the demons with their black arrows will dethrone many an Emperor. The world has not changed much! The Asian Emperors are still in search of a Great Wall!

Imports Not the Basic Problem

Nireekshak

IF Hickey's *Bengal Gazette* is taken as the starting point, the Indian Press will be 200 years old in January 1980. But the Indian Press is still an uncertain giant — uneven in growth, obsolete in its technology, and yet holding out immense potential. There is no national Press yet; there is the English language Press and there is the Press in the indigenous languages. It is a misnomer, indeed, to describe the newspapers published from the capital in English as the 'national Press'. But this is what is often done, following British practice. The big dailies from London are termed 'the nationals' while the others are 'provincials'.

No Geographically National Press

Given the size of India, there is no geographically national Press here. No paper — not even the big chain-newspapers — can claim country-wide circulation. The biggest chain publishes the *Indian Express* from eight cities — five in the southern states, two in the states in western India, and from New Delhi — but none from the eastern region.

The *Express* group was to go for simultaneous publication from more than two cities. It went about acquiring rotary presses and lino-machines to expand the chain in the South, whereas the rival *Hindu* calculated that centralised production of a newspaper from a single centre would make for quality, and went about buying aircraft to have its own fleet for delivering the paper. Later, *Hindu* went in for sophisticated facsimile equipment, so that editing and typesetting could still be centralised though the printing could be dispersed, to be competitive with the *Express* group. In addition to the principal edition from Madras, facsimile editions were printed from Bangalore and Coimbatore. At the same time, the *Hindu* retained a part of its aviation service, to cover mainly the Andhra region. However, now, with the prohibitive cost of fuel, it needs at least one more facsimile edition. And that requires foreign exchange. It will now need a bigger range of equipment which will mean that the *Hindu*, at least theoretically, could publish an edition from Bombay, Calcutta, or even New Delhi. The proposal has not yet been cleared by the government, but there is strong lobbying against granting the permission for the import of new equipment.

The Indian Press thus presents the picture of a few islands of sophisticated technology surrounded by an ocean of primitive techniques and obsolete equipment. A study by the Indian and Eastern Newspaper Society revealed that, in most established newspaper houses, the bulk of the machinery was 25 years old, and that in some cases it was as much as 40 years old. Dependence on imports has had other repercussions too. Some foreign manufacturers of machinery have told the Indian users that particular models of machinery were being withdrawn and spare parts for them would, therefore, no longer be available. Severe restrictions on the import of up-to-date machinery and absence of indigenous manufacture have at the same time compelled most large newspaper houses to depend on antiquated machinery. The present exorbitant import duty on printing and composing machinery and allied items, and the inflation abroad, have contributed to the precarious situation in the industry. The special, concessional, 10 per cent import duty was raised to 40 per cent in 1972-73, when printing and composing machinery ceased to be a GATT item. All this makes replacement of obsolete machinery almost impossible — except for the very big papers.

Present Import Policy

The present import policy is as follows: 50 per cent of the foreign exchange allotted is reserved in the first instance for the small newspapers (15,000 circulation and less); 35 per cent is reserved for the medium newspapers (15,001 to 50,000); and the rest is left for the big newspapers for inescapable replacements of plant. Any unutilised balance of foreign exchange, meant for the smaller or medium newspapers, is then given to the big papers. Evidently, the small newspapers could not utilise the foreign exchange thus allotted to them. In 1973, the 42 big dailies claimed 48.6 per cent of the total circulation of all dailies, 97 medium dailies shared 28.7 per cent, while 516 small dailies had a 22.7 per cent share of the circulation. In terms of the present import policy, therefore, big dailies claiming 48.6 per cent of the total circulation are eligible to only 15 per cent of the available foreign exchange while the small and medium papers accounting for 51.4 per cent of the total circulation are supposed to be allotted 85 per cent of the foreign exchange for importing machinery.

If the bigger papers are to replace their machinery and meet their increased circulation needs, this policy would have to be modified. While they may be denied foreign exchange for starting new units, their needs for plant replacements would have to be met.

Technological Problems

Minister for Information, Gujral, has mooted the idea of a committee to look into the technological problems of the Indian newspaper industry. Ranging from calligraphy to hand-composing to lino-composing and mono-setting, and from flat-bed machines to web-offset presses, the industry encompasses a wide range of technology. But machine-composing is still unknown to most Indian language papers. Where there is machine-setting, it is still with molten lead, with all its health hazards. And computerised photo typesetting is yet unknown, thanks to the import restrictions.

Whether a country with the vast mass of people living below the most depressed poverty line needs sophisticated newspaper technology is a point that also has to be considered. But the real issue is whether an existing industry should be allowed to lapse into technological obsolescence. This implies that there is imperative need for research and development, for instance, to facilitate machine typesetting in most Indian languages. Indigenous manufacture of rotaries is not difficult. Offset printing equipment too can be developed in India to reduce the dependence on imports. But neither the industry nor the government has given much thought to, or spent much effort on, these problems in the past. One wonders what one more of Gujral's committees can achieve in this situation.

Social Behaviour of Students

A Women's College in Mysore City

Chitra Sivakumar

This study of some colleges in Mysore city seeks to

(i) provide a brief sketch of the factors underlying the formation of 'cliques' among students — so as to throw light on the forces leading to fission and fusion among students — and the 'cliques' role in the lives of students;

(ii) provide some idea of the college social environment and the circumstances in which the students defy authority and try to exercise their will; and

(iii) examine the nature of the commitment among students to their studies and the factors that contribute to or hinder that commitment.

ONLY during the last two decades have sociologists widened the scope of their study of the educational system in India to include various behavioural patterns. Further, only a few of even these studies have focused on *student* behaviour within the educaional system.[1] And of these, systematic and intensive studies are indeed few.[2] This paper aims to add to the limited enthnographic literature existing in the field.

The main objectives of this paper are: (i) to provide a brief sketch of the factors underlying the formation of 'cliques' among students, that would throw light on the forces leading to fission or fusion among students, and the cliques' role in the lives of students; (ii) to provide some idea of the college social environment in which the students find themselves, and the circumstances in which they defy authority and try to exercise their will; (iii) to examine the nature of commitment, among students, to their studies and the factors that contribute to or hinder that commitment. While in the first three sections, an attempt is made to provide a mere delineation of the above three fields, in the last an attempt is made to provide an analysis of them in a wider comparative framework.

The data presented in this paper were collected during 1963-64, through 'participant observation', interview, and questionnaire. The observations made during this study, have been corroborated to some extent by observations made during subsequent field-trips to Mysore in the summers of 1966 and 1967, while investigating the nature of 'student politics' in some colleges in the city and the University of Mysore. The data may tend to project a stronger student bias, which was unavoidable because of the limited nature of the enquiry and certain constraints experienced in the course of field-work. The college where the study was conducted has been referred to as Ambil (a pseudonym).

I

Bases of Cliques among Students

Generally in clique formation, economic factors were more important than caste factors. But this was not true of the Scheduled Castes and Muslims — though for different reasons in each case: Muslim girls preferred each other and did not join the others; on the other hand, the Scheduled Caste girls were not accepted by the high castes. Thus, while the Muslims *did not want* to join the caste Hindu cliques, the Scheduled Castes *could not* join them.

The cliques of the other students had a varied caste and religious composition. For instance, students from Brahmin and other high castes had friends among students of the lower non-Brahmin castes, Christians, Parsis and Sikhs. But members of a clique seemed to belong to *the same economic spectrum*.

As the cliques were numerous in number, I have divided them into two broad categories, 'A' and 'B', on the basis of the income of the students' families. 'A' consisted of cliques comprising the upper income strata and enjoying a higher status among students, while 'B' consisted of cliques from the middle- and lower-income strata. Within each of these two categories, however, factors — such as the degree of westernisation and the degree of participation in the social activities of the college — played a significant part in actual clique formation. In addition, within category A, friendship with members of royal lineage bestowed high status on the others. The cliques may, therefore, be arranged in a hierarchy. Category A enjoyed a higher status than category B, and in the former, the top of the hierarchy was occupied by the princesses' cliques, followed by the westernised elite cliques. In category B, the socially active cliques enjoyed the highest status while the others occupied the lowest rungs of the hierarchy.

The members of the higher cliques enjoyed general prestige, and they also *felt* superior to the common run of students. They were rich, owned cars, and lived in exclusive residential areas, where they had members of their own status. They could speak fairly fluent English, and wear fine clothes, which drew the admiration and envy of the other students.

Students from middle and lower income strata, however, kept aloof. The membership of princesses' cliques was almost closed to the others — except perhaps to members of westernised cliques. For instance, a student had this to say about the princesses: "I have been their class-mate for nearly three years. Not even once have they spoken to me, or for that matter anybody in my class, except their friends. On a few occasions I have tried to smile at them and to speak to them, but they have always cold-shouldered me. They are rich, so they do not care for us. I doubt whether they will even speak to you .... One of the princesses is quite friendly and occasionally, she throws a friendly smile and speaks to us. But she has her own circle of friends. She would not like to be friendly with us for after all we are poor."

The membership of the remaining cliques in category A was at least open. Certain other factors besides the aloofness of the members of the upper strata — such as their own backward economic and social background — impeded the mobility of those who wanted to move up the hierarchy. For example, some students from category B told me that they wanted to move with, and dress like, the westernised groups but they could not afford to do so because of their poverty and the conservatism of their parents. They said that, in order to be members of the westernised group, one had first of all to dress like them. They had to wear nice clothes, put on lipstick and make up, all of which meant extra expenditure on their parents who could ill-afford it. They said that they felt that they were already putting much financial burden on their parents and found it difficult to ask them to spend more. Indeed, a large majority of the parents *were* conservative and did not like their daughters to be too 'modern'. Public opinion frowned upon 'modern' girls and this adversely affected their chances of marriage.

Nature of Cliques

The cliques were of varying sizes and they were mainly confined to students of the same class — except the princesses and the westernised cliques. Some cliques were large, consisting of 5 to 15 members, and the rest were small with 2 to 4 members. The former enjoyed a certain degree of stability and permanence, as long as their members were in the College, whereas in the case of the latter the friendships continued even after the members had left College.

The smaller cliques were, in fact, part of larger cliques, and the relationship among their members was intimate. The relationship among the members of the larger cliques was more formal. Students themselves drew a distinction between their membership of the larger cliques and of the smaller cliques. For example, a student would refer to a member of her large clique as *snehitalu*, which means friend; whereas she would refer to a member of her small clique as *apta snehitalu*, meaning close friend. The second important distinction between the two was that a student's relationship with the members of her large clique was mainly confined to the College, whereas her relationship with her best friends was extended beyond her life in the College. In the College, a student usually moved with members of her large clique. They went to the canteen together, during leisure hours they sat under trees and chatted, and inside the class-room they all sat together.

When a student wanted support on any issue, it was the members of her large clique who extended it to her. For example, the leader of the strike (an account of which is given in the following section), told me: "I first mooted the idea of going on strike to have the Gowri festival declared a holiday with my friends who approved of it, and lent me their support, and also promised to mobilise the support of other students". They also influenced one another in dress, ideas, and manners. For instance, when one of the members started becoming more fashionable in her dress, it was commented upon by the other members of her clique, and the comments ranged from criticism to praise, and often they gradually themselves started following in her footsteps. They also seemed to influence one another on marriage, the mixing of the sexes, caste, etc. Members who, for instance, held ideas such as of inter-caste and love marriage to be wrong would change their views under the influence of the more progressive members of their group.

While a student moved closely with members of her large clique in her College years, her relationship with them was not as close as her relationship with her best friends, with whom she moved closely also outside the College and to whom confided many things about her personal life. Thus, if someone treated her badly, or if she had developed a crush on a man, it would be her best friends who would be taken into confidence first rather than the members of her family. Hence the small cliques acted as buffers when any of their members was under stress and strain.

The small cliques were also an important source of change in a much deeper sense. Since the relationship between their members was closer and more intimate, they influenced one another in various matters more easily and more effectively than members of the larger cliques.

The princesses' cliques, the westernised cliques, and the socially active cliques, constituted the elite of the College and were important agents of change. Students wanted to be friends with the princesses' cliques and westernised cliques, however, and admired them for their wealth, their cars, and their fashionable clothes. But, they also resented their snobbery. On the other hand, they looked upon the members of the socially active cliques as their 'leaders' for they espoused *their* cause when necessary.

Any change introduced by the elite, in the course of time, became gradually absorbed among the rest of the student community. For example, I had heard the students comment that a particular type of fashion was first started by the princesses and their friends, and that in course of time other students started to imitate them until it lost its novelty and became common.

II

Students, Teachers, and the Principal

Social relationships among people may be viewed at different levels of social reality. They may be viewed at the level of groups or at the inter-personal level. The groups considered may be large or small, depending upon the nature of the study. In this Section I shall confine myself to social relationships at the level of groups.

The relationship between teachers and students in Ambil was formal, both inside and outside of the class-room. Teachers taught classes of students ranging from 20 to 85, and sometimes even 90. Personal contact between teachers and students was unusual. The general method of teaching was through set lectures and students diligently took down all that the teacher said or was 'heard' to have said. There was a widespread feeling among students — which was also shared to some extent by some teachers — that mastery of class notes was enough to pass examination, if not for obtaining a high class. Class notes were important, and the notes of diligent students were valued highly; indeed, after the author had passed the course, these got handed down from one batch of students to another. Some teachers did not lecture at all but merely dictated notes.

There were certain occasions, nevertheless, when teachers put questions to students. The student to whom a question was put if she had the 'courage' and knew the answer, answered it; if not, she just mumbled something that no one heard, or kept totally quiet. There was very little discussion in class, and the teachers themselves did not think it necessary to initiate discussion among students.

If a teacher did not teach well, students became noisy in his class. No amount of pleading from him would make them quiet; he occasionally threatened them that he would complain against them to the Principal. Sometimes, even such threats did not work, and the lecturer was forced to bring matters to the notice of the Principal. The Principal's warning could keep them quiet for a short while, but soon they would again become noisy. In the end the teacher, after repeated warnings to the students and complaints against them to the Principal, would resign himself to his fate and learn to lecture amidst the noise and the bustle. Teachers, whom the students rated low and who were also known to be 'easy-going', created the maximum amount of noise and disturbance. On the other hand, those who were known as 'good teachers' (i e, very competent teachers) and who were also firm in handling noisy students got minimum disturbance. In other words, competence and firmness were both needed to command the attention of the students. But in all the classes, there were a few students, generally from the richer sections, who had little interest in studies and whose favourite pastime was to disturb the class.

A few of the more westernised among the rich students, made fun of teachers who dressed conservatively and whose English accent did not come up to their standards. They generally occupied the back rows, paying no attention to the lecturer. If the lecturer asked them to leave the class, they promptly obliged, walking out picking up their books.

In discussing class discipline, it is necessary to mention again the presence of the few members of the local royal lineage studying in the final year degree class. There was a feeling among their class-fellows that the teachers were partial to them and that they did not take note of the noise they made. Some of these class-fellows said: "If we make the slightest noise, teachers scold us; whereas, they just keep mum if the princesses and their friends kick up a big racket. This is because teachers know that the Principal might take objection to it".

The feeling that the princesses received favoured treatment was the view, not only of the students but also of some of the teachers. Thus while separate room had been allotted in the College to the princesses to protect their privacy — which attracted every one's envy, 50 to 60 teachers shared a small and ill-furnished 'Common Room' where they relaxed during their leisure periods. Their complaints about the inadequacies of the 'Common Room' had not met with any response. Students complained about the concession shown to the princesses by the Principal with regard to attendance, and about the favouritism shown to them during the elections in 1962 to the Students Union. To quote a student: "When the princesses and their friends fell short of the minimum percentage of attendance required to sit for the University Examination, it [attendance] was given to them. But when some commoner students requested her to show the same favour to them she refused. Another example of her favouritism towards the princesses was during the 1962 elections to the Students Union. Before the elections began, she asked the commoner candidate contesting for the post of President to withdraw so that her rival, a princess, could get in".

There was little mixing between teachers and students outside the class-room. Teachers complained of the heavy teaching load (19 to 21 periods per week), which left them little time to have discussion or tutorial classes with students. In fact, the College did not have a tutorial system which might have helped to develop an informal and personal relationship between teachers and students. In addition to the heavy teaching load, certain other factors — such as the low teacher-student ratio (1 : 70 approximately) and the meagre income of the teachers — came in the way of closer relations between them and their students in the class. Many teachers stated that their salaries were hardly sufficient to make both ends meet. Most of them were either married men with families to support, or even when they were single they were supporting their parents and younger brothers and sisters — and sometimes they were doing both, simultaneously.

In this connection, mention should be made of the 'private tuition' which some teachers resorted to. A few months before the public examinations (held twice a year in April and October) a teacher would undertake to coach a few students in his house, for an agreed fee, which varied from instruction in 'important' or difficult areas to the giving of answers on topics on which questions were likely to be asked. 'Private tuition' was an important source of supplementary income and a teacher who undertook 'private tuition' had a vested interest in neglecting teaching in the class. Teachers employed in the University or government colleges, however, were not expected to undertake tuition. But, generally speaking, no action was taken against a teacher unless he took up tuitions in a flagrant manner.

Teachers appointed on a temporary basis felt insecure about their future, and hence lacked incentive either to teach well or take an interest in their students' studies.

The way students and teachers felt towards each other reflected, and influenced, the relationship between the two. Generally, the teachers felt that the majority of students did not understand what was taught in the class, as they had considerable difficulty in understanding lectures delivered in English. They felt that, since the comprehension of the subject taught was poor, performance in the examination was very unsatisfactory. In fact, the more able and conscientious among the teachers said that poor response from students to their lectures poured cold water over their desire to give their best to them. These teachers were prepared to give some time to students even afer class, to clarify doubts and difficulties. But they said that students rarely came to them for any help and that this again was evidence of their lack of interest in the subject taught.

Some women lecturers felt that, while students were co-operative and nice to men lecturers, they were not so to them. They quoted as an example the students' partial attitude to 'special classes', held by men lecturers to complete the 'portions' [i e, courses] prescribed in the syllabus before the examination. The women lecturers said that students expressed their unwillingness to attend 'special classes' held by them, by 'twitching and scowling' their faces, whereas, they jovially said 'yes' if the men lecturers asked them to do so.

Students, on the other hand, felt that the atmosphere of the College was formal and unconducive to the development of an informal relationship with their teachers. This was the opinion of even those who were about to complete their three-year degree course in the College. The fear of being snubbed, or being regarded as stupid by their teachers, prevented most students from getting their doubts cleared, either inside or outside the class-room. Some students had unpleasant experiences, and this had given rise to a general feeling among students that all teachers were given

to snubbing. Students also said that teachers were not friendly to them, and that they rarely talked to them outside the class. It may be noted here that such teachers did not command respect among students. Students also felt hurt by the attitude of some women lecturers, who criticised them for the way they dressed and accused them of 'flirting' with the men lecturers.

The relationship between teachers and students was, in fact, formal even in the more intimate surroundings of the hostel where they lived together. For instance, some students resident in the hostel studying Botany told me that their Warden — who happened to be a senior lecturer in Zoology — refused them permission to go on a Sunday trip to collect plants with some young men lecturers in Botany, on the accusation that "their main purpose in going on the trip was to wear nylon sarees and exhibit their figures before the men"! One of the students said: "We respect these lecturers. They are nice and decent people. We feel hurt that the Warden attributes motives to us. And this is not the only time she has refused us permission. She has done it many times before. We are not so cheap as to exhibit ourselves. We do not know why she is so harsh. Perhaps she does this because she is an old, frustrated spinster. But she has no right to take out her frustration on us."

Students complained that teachers neglected their teaching — they dawdled along till a few weeks before the examination, when they tried furiously to finish 'portions'. Often, a teacher failed to complete the prescribed 'portions', the students being left to their own devices. Students, who wrote essays and submitted them for correction to their teachers, complained of the latter's indifference. To quote one student, "In the beginning of the academic year, I wrote three or four essays and submitted them to a senior lecturer in the English Department. Just before the annual examinations, I met him and requested him to return my essays. He replied, that he had not corrected them and that he would return them to me." Such incidents obtained currency and contributed to an atmosphere of demoralisation. Students also complained about the teachers' habit of keeping with them the few copies of the textbooks available in the College library.

The way a teacher dressed also affected her relationship with her students. Teachers, who were either shabbily dressed or too 'fashionably' dressed did not command much respect from the students. Students preferred their teachers to be 'decently dressed' — by which they meant teachers who were 'neat and clean'. They also said that teachers had a status which they should try to maintain and that dress and appearance were important to maintain it.

Students feared more than respected, the 'authority' of their teachers. If they at all thought twice before they decided to defy their teachers, it was because of the influence the latter could exercise on the distribution of scholarships and free-studentships. Needless to say, such an attitude was not conducive to any healthy relation between the teachers and students.

The relationship between the students and the Principal was highly formal. A general feeling of distance — and even awe — was felt towards her. She hardly spoke to the students, and they complained that she did not even care to acknowledge their greetings when she went past them. Students told me that, whenever they went with their troubles to her, she did not show enough sympathy. They also felt awkward in her presence, and even the mere announcement of her arrival in the College was sufficient to make the students who were chirping in the corridors disapppear into their classrooms, or into a corner where they would not be seen.

Students and the College Authorities

While, generally, the students feared the college authorities, there were four occasions when they openly defied them. On these occasions, the covert contradictions in the relationships (described in the preceding paragraphs) assumed a concrete and overt expression. I shall narrate below the four occasions on which the students resorted to an open defiance of authority — the first of their kind to happen in the history of the College.

(a) *The College Union Elections*:

During the 1963 elections, two groups — one which may be called 'the princess's group' and the other, 'the commoner's group' — were the main contestants for the four offices of the Union. The former was led by one of the princesses and the latter by some students in the final year BA class. Each put up its own list of candidates for the four offices of the Union, *viz*, President, Vice-President, and two Secretaries. Of the two candidates for the office of the President, one was a princess while the other was a commoner. It was alleged that the Principal asked the commoner candidate to withdraw, but the girl refused as she was aware of the strong support she enjoyed among the students.

Both groups launched big campaigns for their candidates. The princess's group could afford to get its campaign-material printed, whereas the commoner's group could not. A pre-election survey of the students' preference for candidates revealed that, the commoner's group wielded a great deal of influence among the students. In contrast, students resented the 'superiority air' of the princess's group, and openly voiced their opposition to it.

The election date had been kept a secret from the students by the Principal, but the commoner's group suspected that the princess's group knew it. When the date was announced, it came as a surprise to the commoner's group, but it managed to win all the four offices by a substantial majority. A large proportion of students had participated in the 1964 elections, as compared with the previous year's elections.

(b) *The Students' 'Social' for Teachers*:

Every year, just before the final examinations were held, outgoing students of the College arranged a 'social' for teachers. It was a formal affair with photographs taken, of the outgoing students and teachers followed by tea and snacks and 'variety entertainment' in the form of music, dance, and plays by the students. Generally, after the entertainment was over, a few students read out speeches expressing their regard and affection for the teachers and the College. The Principal and teachers, in turn, replied in equally sentimental terms. It was customary for each group to say only pleasant things about the other. But the 1964 'social' was an exception, and students used it to express their grievances against the College and its authorities. On this occasion, a few final-year students rose from the audience, each got onto the dais, and in turn started to read accounts of her experiences in the College before a huge audience consisting of teachers, students from other classes, and some outsiders. The accounts, instead of expressing the customary sentiments, severely criticised the Principal, teachers, and even the administrative staff of the College. They accused the Principal of inefficiency and partiality towards the princesses. They pointed out that, while the princesses were given a room exclusively for their use, the others were deprived of even the minimum facilities to relax during the afternoon break. They said that the Principal had in fact deprived them of the only shelter they had during summer, *viz*, the trees, because she had argued that squatting under them was not aesthetic.

Students also complained about the ill-equipped library where too many students chased too few books, and referred to the attitude of some women lecturers who criticised them for the way they dressed and the way they behaved with men lecturers. They did not spare even the clerks and peons of the College. The clerks were criticised for inefficiency and laziness. The wretched state of the College gardens was also commented upon. When they had finished reading their accounts, there were loud cheers and applause from the audience. Then one of the men lecturers got up on the dais, and replied to the charges. He said the students were themselves responsible for the shortcomings they had listed, but he avoided any reference to topics such as the Principal's favouritism and the attitude of some women lecturers towards the students.

I was later told by some students that the Principal had reproached the students who had made these critical speeches at the 'social'. I was also told that she had refused to give "good conduct certificates to them" — certificates which are essential for further studies or employment.

(c) *Demand for the Gowri Festival Holiday*:

The Gowri festival is observed annually, on the third day in the bright half of the lunar month of Bhadrapada. It is observed only by women, and is confined to some parts of South India. It is followed by the festival of Ganesha or Ganpathi, Gowri's son. The goddess Gowri is worshipped by married women and young unmarried girls. The former worship her mainly for prosperity and for long life for their husbands, while the latter for securing good husbands.

A few students from the final year BA class started the agitation for the declaration of the Gowri festival as a holiday. They felt that the government had been unjust in declaring only the Ganesha festival — a predominantly male festival — a holiday, notwithstanding the importance of the Gowri festival to the women. They were able to mobilise the support of all the students in the College on this issue. The College, was almost empty on the festival day, and the Principal was forced to declare it a holiday.

(d) *Student Strike in the University of Mysore*:

During November 1963, students in the University of Mysore went on a strike, which lasted for nearly two months. The immediate reason was the decision of the Government of Mysore to reduce the number of free-studentships and scholarships. It has to be mentioned here that, during 1962, the Government of Mysore had increased tuition fees for all undergraduates by Rs six per month and this decision was promptly met by a strike on the part of the students. The students withdrew the strike, on being assured that the number of free-studentships and scholarships would be raised so that the poor students at least would not be affected by the fee-raise. When the government reduced the number of free-studentships and scholarships, the student felt badly let down.

Though the strike began in November, it was only towards the end of December that the girls of Ambil began to take an active part in it. It was, in fact, the boy students who drew the girls into the strike as they felt that it would strengthen their struggle. The final-year girls were the first to respond to the call, and their lead was followed by the others. As the strike became more intense, the girls took out processions, shouting slogans against the then State Education Minister S K Kanthi, and also making fun of him through limericks. They made speeches at public meetings, denouncing the government's decisions. In the end, like the boy students, they too resorted to a hunger-strike in front of the College.

During the strike period, the girl leaders mixed freely with the boy leaders from the other colleges in Mysore City — something which had never happened before. The Principal of Ambil did not mind the participation of her students in the strike so long as they kept their 'feminine character'. Conservative as she was, she did not like the girls to go out in processions, make speeches and mix freely with the boys. But the girls did not heed her advice to refrain from such acts. In fact, even her threat, to withdraw the fee and scholarship concessions of those who actively participated in the strike, did not deter them. They continued to participate in the strike till it came to an end — i e, two months after its commencement, when the government had yielded to all the demands of the students.

III

Commitment of Students to Studies

Various factors seemed to affect the sense of commitment among students to their studies. While factors such as the desire for higher education and a good career induced students to work hard and to do well in their examinations, certain other factors — such as poor economic background and the distance between teachers and students — seemed to have had the opposite effect. We have already noted the kind of effect that the College environment had on the commitment of students to their studies. In what follows, we shall take note of the part played by other factors in the commitment.

A large majority of women students were pursuing their college education either because they wanted a career, or because they wanted to contribute to the income of their parents by taking up jobs after completing their studies. Out of the 199 students who formed the sample, 61 gave the desire for a career as the most important reason for pursuing college education, while 60 mentioned the desire to contribute to their family's income. The remaining 78 gave various other reasons: 'Interest' in the subjects they had chosen for study, 'for the sake of knowledge', 'to get a good husband', etc. There were very few who said that they joined the College "because their friends joined", or because they were "waiting to be married", or because they were "forced by their parents or guardians". In the sample, their numbers were 2, 2, and 4 respectively.

A large majority of students, i e, 162 out of 199, wanted to pursue higher studies after getting their first degrees. Out of the 162, 94 came from the lower income strata, and these were aware that their poor economic background might prove a major obstacle in their realising their educational ambitions. But very few students mentioned their plans for the future to be taking up of a job or getting married. Of the remaining 37 students, 11 mentioned that they wanted to get married after a degree, 12 wanted to take up jobs, and 14 had no definite plans.

As mentioned earlier, the large majority of students came from poor economic background and had difficulty paying the monthly tuition fee. Free-studentships and scholarships were so important to them that some of those

who did not secure them had to give up their studies. I found that they lived in small, overcrowded houses, without a quiet corner to themselves for study. These students also said that they spent a large part of their time doing domestic work.

Since a majority of the students came from lower income homes and from a vegetarian background, the lack of a nutritive diet left them with little energy at the end of the day. In fact, an important reason for the day scholars' wanting to dodge compulsory sports was their tiredness and hunger, after the day's lectures.

Caste had its role to play too. Students from educationally and socially backward castes such as the Untouchables, and certain lower non-Brahmin castes such as Agasa (washerman), Yadava (cowherd), Kuruba (shepherd), and Kunchitiga (peasant), suffered from certain disadvantages. Many of them were the first women in their families and even their caste to receive college education. As a result, they felt that virtually "every minute of their life" they had to face the criticism of their caste members who did not have a good opinion about 'college girls', since they thought that educated girls mixed with men and gradually started affairs. The very act of joining a college classified a girl as a self-willed girl who would not be modest. Among the traditional and backward sections of the society, a 'modern girl' is independent, reckless, and does not like to be guided by her parents, husband, or affines; and there is apprehension that an educated girl may not fit into a joint-family set-up. It is thus not easy to find a bridegroom for such a girl.

Scheduled caste students were just a handful, their number was 11 in the total of 1,300 students in Ambil. They felt alienated from their college surroundings. They were rarely seen mixing with either their class-fellows or with other students — only with other girls from their own caste. They also *felt* that students from other castes were not friendly with them. According to a scheduled caste girl, "they do not mix with us. One day while I was walking back home, I saw a bunch of them walking in the same direction and I decided to join them. They were my class-mates but they refused to take note of me. They never said a word throughout the way. From that day onwards I decided not to go with them."

However, when a scheduled caste student was good in her studies, she was sought out by every one. That is, good academic performance seemed to have been effective in breaking through the reserve practised towards scheduled caste students.

Besides the unfriendly attitude of their college fellows, the formal attitude of the College seemed to increase their sense of isolation. They hardly participated in any social activity in the College. For example, there was not a single instance of a scheduled caste girl contesting for any of the offices in the College Union. They kept away, and hardly anyone took notice of them. While it was rare to find teachers and students talking to each other, it was even more rare to find scheduled caste students among the other students. Centuries of oppression and discrimination had left their mark on them, and it was natural that they hesitated greatly before they took a step forward.

IV

Factors behind Behaviour Patterns

The delineation of cliques among students has revealed the important role played by economic, rather than caste, factors in their formation, and their role as an agency of change among students. In the College, no other agency played such a crucial role as the students' cliques in the dissemination of new ideas, or even dress or manners. The elite cliques were also an important source of change among students. Not the least important is the part played by the small cliques as *buffers* when any of their members was under stress and strain.

The fact that class factors played a more important role in the formation of cliques, is not to contradict the relevance of caste in regard to the other aspects of the lives of students. The preference to marry within one's own caste expressed by a majority of the students (approximately 76.0 per cent) is a case in point. The reasons for this varied from unwillingness to hurt or displease their parents to their confidence in their parents' choice.

Sometime later, when I was making a study of the nature of 'student politics' in the University of Mysore, I had an opportunity to obtain some idea of the nature of cliques among students in some other colleges in the city. In these colleges, caste was a crucial factor in the formation of students' cliques. A telling instance was the annual elections to the various offices of the students' union in the colleges. The two dominant factions competing for these offices were those of the Lingayat and Vokkaliga. This is again not to say that the 'caste' factor was more important than the factor of 'class' in the above context. The Lingayat and Vokkaliga are economically powerful too, constituting the dominating landowning stratum of the agrarian structure of Mysore. In situations such as the above, the identity of 'caste' and 'class' merge, making the groups as powerful as ever.

The narration of the relationship obtaining between important social groups in the Ambil social set-up — and more significantly, the four occasions of defiance of authority by the students — brings out the nature of the contradiction underlying the relationship between the teachers and the Principal on the one hand, and the students on the other. Notwithstanding the internal cleavages among themselves, the students constituted a united block — barring a few. The contradiction between the students and other groups seemed to revolve around a number of factors, each contributing its share over a period of time — the accumulated effect of which was an open confrontation between the two on certain occasions. The factors ranged from such infinitesimal aspects of behaviour as a teacher's non-acknowledgement of a student's greeting, to the differences in role perceptions each had of the other and of themselves. In a larger sense — at least in the context of the college social set-up — these differences in role perceptions and the behavioural patterns resulting from them, may be viewed in terms of the differences in value-systems that each of the groups represented.

The majority of the teachers, and the Principal who had been associated with the College for a number of years, had their own set notions regarding authority, codes of behaviour towards and on the part of the students, method of teaching, etc. Students were kept at a distance, in tune with their notion of authority. Teachers even resented questions from students requiring clarification, as they perceived these as a challenge to their authority and knowledge. Students who did so, were either snubbed or ridiculed. There was little mixing between teachers and students outside the class-room, and this was so even in the more intimate surroundings of the hostel. Teachers were openly critical of the way students dressed, and some of the women teachers alleged that the students were more friendly towards the men lecturers.

The Principal's presence struck awe and fear among the students, and her favouritism towards the members of the royal lineage and their friends was resented by them.

Students reacted sharply to their teacher's criticisms and situations which went against their notions of 'justice', 'fair-play', etc. This was poignantly brought out on the four occasions in defiance of authority by the students. The fact that such incidents had never occurred before in the history of Ambil, seems to assume a deeper significance: While the preceding generations of students seemed to have had largely conformed to the expected patterns of behaviour from them by their teachers, the present generation does not seem to do so.

Another significant facet of the student-teacher relationship in Ambil was the conspicuous absence of the role of traditional factors (with a few exceptions, of course) such as caste, and to a certain extent class in shaping the relationship. The idiom of expression of the relationship was in terms of the categories, 'teachers', 'principal' and 'students'. The relationship between teachers and the Principal on the one hand and students on the other, was an unequal relationship with the former representing authority which in this context also meant a superior status. The 'students' representing a subordinate status, were expected to abide by the authority, irrespective of the circumstances or contexts. The authority exercised by the teachers and the Principal was not 'moral' authority in the Durkheimian sense (Moral Education), but one that was based on fear and certain negative sanctions, such as withdrawal of scholarships and free-studentships and denial of 'conduct certificates'. The four instances of defiance of authority by the students, may also be viewed as an expression of the resentment of the latter of an unequal relationship which lacked any strong 'legitimate' basis.

This is not to say that the nature of student-teacher relationship portrayed in Ambil is typical of all colleges in Mysore City. In some other colleges in the city, caste was not only important in the formation of cliques among students, but also constituted an important element of the nexus of student-teacher relationships. This was so, especially in regard to the dominant peasant castes of Lingayat and Vokkaliga. Here, the contradiction in the relationship assumed a different form — it was teachers and students of one caste versus those of the other. In other words, teachers and students of Lingayat caste as against those of the Vokkaliga caste. Or, it was Lingayat and Vokkaliga together constituting the 'non-Brahmin' block against the Brahmin. This also brings out another important point of difference from Ambil — that is, in the above instance, the separate identities represented by the categories 'teachers' and 'students', merged to constitute a larger category under the identity of caste. It may be mentioned in this context that, over the years, and with the emergence of the 'Backward-Classes' movement in the early decades of this century in Karnataka state, the two economically and politically powerful peasant castes of Lingayat and Vokkaliga have emerged as important competitors for higher education, along with Brahmins and other upper castes.

The theme of commitment of students to their studies, highlights the role of a combination of sociological variables affecting their sense of commitment. The social milieu of the College — and in particular the student-teacher relationship — seemed to hinder, rather than promote, commitment to studies. Other factors, such as lower caste and lower income background, also had the same effect. While students from the lower and Scheduled Castes underscored the hostility of their caste-members to their college education, the same was rarely mentioned by students from the upper castes, such as Brahmin. Coming from a social environment, which was hostile to their educational aspirations, the scheduled caste students had to encounter many more obstacles than the other poor students who belonged to the upper castes.

Factors, such as the desire to pursue higher education and have a good career, promoted the students' commitment to their studies.

Studies of college and high school students in other parts of the world, have also brought out the significant relationship between the various social factors and the commitment of students to their studies. For example, S S Gupta says about the college students in Aligarh: "Being either themselves educated, or guided by their experience, the people of service class (white collar class) are able to provide a better academic atmosphere and guidance to their wards and exercise some control over them. This helps their children to do better in examinations and to go far in their life than the children of farmers, etc. This is evident from the fact that the greatest percentage of students offering science subjects and showing the best results in examinations, games, and other contests, belong to the families of service class."[3]

He also relates the performance of students to factors such as income and caste. To quote him: "The above facts reveal that, leaving a few exceptions, the results of the children go on improving as the income of the parents goes on rising because they are able to concentrate more on their studies, having few problems to face and being provided with facilities such as books, papers, etc."[4]

In regard to the role of caste, he says: "From the point of view of good division, Brahmins show the best results closely followed by Kshatriyas and Vaishs".[5]

The educational level of parents affects the performance of their children not only in developing countries such as India, but also in developed countries such as Britain. For instance, Floud, Halsey and Martin write: "Both in Middlesbrough and in south west Hertfordshire and at each social level, the parents of successful children were on the whole better educated than those of unsuccessful children...the percentage of fathers and mothers who had received selective secondary schooling and some further education was nearly twice as high amongst the successful as amongst unsuccessful children in south west Hertfordshire, and three times as high in Middlesbrough; and the same is true in varying degrees at each social level."[6]

While the educational background of parents had a uniform effect, higher parental income did not necessarily imply the better performance of children: "But the part played by the material prosperity of their homes was strikingly different ... In south west Hertfordshire, at a given social level, the children who gained grammar school places were not those whose parents earned the highest incomes, nor did they enjoy superior standards of housing. In Middlesbrough, on the other hand, the successful children at each social level were distinguished by the relative material prosperity of their homes."[7]

Rossi, writing about the social factors that affect the achievement of students in American elementary and high schools, says: "Yet, despite the importance of intelligence, a considerable portion of the differences among individuals must be accounted for in other terms. Part of the remaining

variation is taken up by socio-economic status, the higher the occupation of the breadwinner in the student's family, the greater his level of achievement. However, it should be pointed out that, while the studies under review uniformly find socio-economic status playing a role in achievement, it is not entirely clear how it does so."[8]

The relevance of cultural factors in academic performance is also underlined by educationists and psychologists. Thus B Bernstein comments in the following manner on the part played by domestic culture on formal learning in a differentiated society: "An examination of the literature of both Sociology and Psychology shows that socio-cultural factors can depress or raise the level of educational performance. It is clear that children from extreme social groups within societies are exposed from an early age to separate, and distinct, patterns of learning before their formal education begins. These patterns are progressively reinforced as the child develops."[9]

Bernstein makes an important theoretical point when he says that the causes of differential learning are so complex and intertwined that it is impossible to pick on any one factor as the crucial one: "It would seem that the social conditions that help to determine differential learning and orientation are so complex and interrelated that, to ask what is the most significant variable, is like asking which loose end will unravel a ball of knotted string".[10]

The most telling evidence on the part played by social and cultural factors in affecting the educational aspirations of students studying in high schools in America comes from Kahl who made a sample study of high-school students from working class backgrounds. The sample consisted of 24 students and Kahl says about them: "They all had enough intelligence to go to college and thereby get a good start toward the higher levels of occupational life, yet one-half of the boys chose not to strive for such success. Instead, they planned little or no schooling beyond high school, and said they would be content with the lesser jobs that would likely be open to them."[11]

The reasons for this differential attitude among students from the same occupational class were, "... although there was a general way of life which identified the common-man class, some members were content with that way of life while others were not. Parents who were discontented tended to train their sons from the earliest years of grammar school to take school seriously and use education as the means to climb into the middle class. Only sons who internalised such values were sufficiently motivated to overcome the obstacles which faced the common-man boys in school; only they saw a reason for good school performance and college aspirations .... The American creed is supposed to teach everyone that he can become President if not of the United States, then of United States Steel. Yet these interviews showed that the creed is by no means universal. Some common-man families do not think in such terms, and do not try to push their children up the ladder."[12]

Notes

[This paper is a revised version of a chapter from the author's Ph D dissertation titled "Social Background of Some Undergraduate Women Students in Mysore City". The author is grateful to M S A Rao, who supervised this research, to M N Srinivas for his comments on the earlier drafts of the dissertation, and to S S Sivakumar and Arobindo Ghosh for their comments on the present paper.]

1 Suma Chitnis, "Sociology of Education: A Trend Report", A Survey of Research in Sociology and Social Anthropology, Volume II, Bombay, 1974; Philip G Altbach (Ed) "Turmoil and Transition: Higher Education and Student Politics in India", Bombay, 1968; Philip G Altbach, "Student Politics in Bombay", Bombay, 1968; Ruhela S P (ed), "Contributions to Sociology of Education in India", New Delhi, 1969.

2 The major concern in recent years has understandably been student 'political behaviour', which has been explained in hackneyed terms such as 'student indiscipline', 'student unrest' and 'student delinquency'. While a few of these studies provide certain fruitful insights, being based on systematic investigation, *a majority* of them suffer from a certain degree of superficiality in terms of analysis and empirical substantiation.

3 Shanti P Gupta, Report of Socio-Economic Survey of College Students of Aligarh, Aligarh, 1957, p 13.

4 *Ibid*, p 17.

5 *Ibid*, p 28.

6 J E Floud (ed), A H Halsey, and J M Martin, "Social Class and Educational Opportunity", London, 1957, pp 87-88.

7 *Ibid*, p 89.

8 Peter H Rossi, 'Social Factors in Academic Achievement: A Brief Review', A H Halsey *et al* (eds), "Education, Economy and Society", New York, 1961, p 269.

9 Basil Bernstein, 'Social Class and Linguistic Development, A Theory of Social Learning', A H Halsey *et al* (eds), *op cit*, p 288.

10 *Ibid*.

11 Joseph A Kahl, 'Common-Man Boys', A H Halsey *et al* (eds), *op cit*, p 348.

12 *Ibid*, p 364.

Miles India

MILES INDIA is establishing a project at Baroda for manufacturing blood and urine test systems in collaboration with Miles Laboratories of the US. These products, which are in the form of strips, are used for multiple pathological tests and the test results are obtained in a minute. There are only seven such plants in the world, and this will be the first of its kind in India. Total cost of the project is estimated at Rs 64 lakhs, which is proposed to be financed by share capital of Rs 25 lakhs and term loans of Rs 39 lakhs. Arrangements for term loans have been completed. Land has been acquired, orders for the plant and machinery have been placed, and deliveries are expected by the end of this year. The plant is expected to go into production during the first quarter of 1976. Of the equity capital, Rs 10 lakhs will be subscribed by the US collaborator, Rs 3.75 lakhs by the Indian promoters, friends and associates, and Rs 11.25 lakhs by the Indian public. The company intends to enter the market in July or August next with its public issue. According to Thomas C Black, Vice President, Miles International Operation, the project is expected to be highly profitable. He bases his forecast on the feasibility studies carried out in India and on the performance of similar plants elsewhere in the world. The public issue is managed by FNCB's management consultation division.

What Ails the Indian Universities?

Amrik Singh

Whether the Indian university can survive the impending crisis — or a series of them — in the Indian polity, is not a very legitimate question. After all, the university has no autonomous existence outside of the policy. The Indian university, like any university system elsewhere, is very much a part of the polity and, to that extent, its survival or otherwise depends upon the survival of the Indian polity. In what manner will the Indian university have to be restructured and given a new focus in the changed circumstances?

DEVELOPMENTS since 1947 have served to underline two features of the Indian university which make its continued survival in its present form somewhat doubtful. What is a university really? On what level does it function? What category of students does it seek to serve?

In countries where the university tradition is strong, the average age of entry is 18 plus, even 20. Students joining the university have usually had good schooling and are on the whole mature in their thinking. In India, however, the average age of entry is about 15. Only one-third of the Indian universities insist upon a student being 16 years old at the time of entry. The rest do not insist upon even that. Not only have these students not had good and sufficient schooling, they are most decidedly immature in their thinking and outlook. Consequently, the kind of work they do in the first couple of years at college is the kind of work that students in other countries finish at school.

Because of this the Indian situation is somewhat disconcerting. In 1974-75, something like 3.5 million students were enrolled in the universities, but only 6 or 7 per cent of them were pursuing a post-graduate course. Broadly speaking, it is at the post-graduate level that Indian students do what is usually done at the under-graduate level in advanced countries. From one point of view, therefore, the university system has 3.5 million students. From another point of view it has effectively only 0.2 million students. Which of these two figures should be regarded as relevant to the argument under discussion depends upon the yardstick that one chooses to apply.

The real question is why hordes of students enter college knowing full well that a college degree is not going to get them a job. The rate of expansion over the last decade or so has been about 12-13 per cent per year. There is hardly a year when it is less than 10 per cent. No other country in the world has had a rate of expansion higher than 5-6 per cent per year. Because of the extraordinarily rapid rate of expansion in India, standards could not but get diluted. Even when financial resources for this rate of expansion are available — and these are not — the availability of the right kind of teachers is such a severe constraint that no way has yet been found to overcome it. No wonder that the quality of teachers has been declining sharply over the years. Today almost half the teachers who are in their position would have been rejected for these very jobs 10 years ago. But, with every year that passes, the bottom of the academic barrel is scraped more and more desperately and those who were regarded as ineligible yesterday are not only declared eligible but are found to be satisfactory and even competent. This process is seen at work already in certain institutions. Before long, even the so-called good institutions will feel devitalised and empty of academic content. This is as much true of post-graduate education as of under-graduate education. Indeed, in certain universities, even the PhD degree has been devalued to an unpardonable extent.

More than anyone else, it is the teachers who are in favour of the existing system. With wages generally low and scarcity of jobs a chronic feature of the social scene, those who are in the teaching profession have come to develop a vested interest in favour of whatever exists today. Whether this is academically sound or not, is beside the point.

Had the economy not been stagnant, one could have taken a critical position in regard to the role of the teachers in this situation. But the fact is that the economy has not been growing, the prices have been rising for several years and the entire direction of social change has had the effect of widening the economic gulf rather than narrowing it, so that an average teacher has no choice but to do his strenuous best to stay in the ranks of the middle class. Despite his best endeavours and despite the fact that investment on higher education has been growing far more steeply than could have been anticipated a few years ago, not even 33 per cent of the teachers manage to stay in the ranks of the middle class. A majority of them have good reason to be frustrated with their lot. Whether frustrated or otherwise, in their collective thinking and orientation, they are in favour of the *status quo*.

This is becoming more and more untenable, however. At the present rate of expansion, the university enrolment which today stands at 3.5 million is likely to touch 5 million or so in another five years. With resources already over-stretched it would become near impossible to sustain such a heavy superstructure. But when or how soon it gets modified, is a matter about which one cannot speculate and is linked to wider change in society.

India's failure to integrate its universities with its process of economic development is a matter which has parallels and implications even beyond the frontiers of India. That those passing out from the universities cannot find employment, is as much a comment upon the strategy of growth the country has adopted for itself as upon the irrelevance of the universities to the growth of the country. Whether universities are relevant to a country like India is an issue that has to be faced and not evaded. It is central to what is under discussion. Unless it can be established, in terms of theory as well as practice, that universities are important both as institutions and as *contributors* to the growth of economy, their relevance will stand questioned. That such questions are not being raised in India today is not because they are not pertinent or urgent but because those who *can* raise them — teachers and other intellectuals — do not raise them. They are so passive in their responses, and so lacking in perception in regard to the emergent trends, that they themselves have become a part of the crisis of irrelevance.

Whatever might have been the situation earlier, in the modern world no country can have stability without growth and social justice. Both these requirements must be met, more or less simultaneously. If there is growth



of national income but its distribution is defective and lopsided, it leads to social tensions. In certain situations, and this is particularly true of contemporary India, even growth cannot take place unless at the same time it is accompanied by distributive justice. In fact, the absence of distributive justice hurts the very process of growth. This is precisely what is happening in India today.

Both in absolute and relative terms, there has been considerable growth of national income in the last quarter century. The distribution of it, however, has been so uneven and so biased in favour of the top sections of the population that a stage has now been reached where the country's economy has entered a period of prolonged stagnation. There are other economic and institutional reasons too for such a situation. The sense of social injustice is, however, so acute and so widespread, that it is impeding the very process of growth. To the extent that growth can take place with the help of increased resources, new and improved technology and such other adventitious factors, growth is taking place. But to the extent that growth is dependent upon good motivation and performance and correct investment, it is being thwarted.

It is astonishing how, throughout history, men have accepted poverty as a way of life. What awakens the feeling of protest in them is either the glimpse of a better life which seems to be within their reach or a feeling of oppression and injustice. In other words, men accept poverty but not injustice. Somehow or other, when men are persuaded into believing that the order of things in which they live is just or that it cannot be otherwise, most people do not protest. Even if it means stark and unrelieved poverty people still accept it.

But the Indian polity is unstable today, because more and more people are coming to believe that they are not getting their deserts when they see a few people enjoying a much better life than the overwhelming majority feel they are entitled to. These two factors are creating all manner of tensions in the social sphere and gross distortions in the economic sphere.

Higher education, by its very nature, cannot remain unaffected by these pulls and pressures. So much of what is wrong with higher education today arises from the mismatch between the imperatives of growth with social justice and growth organised in the interest of certain sections of society.

One particular aspect of the mismatch might be referred to in some detail. About two decades ago, when the total outlay on education was 15 to 20 per cent of what it is today, the investment on higher education was about 15-16 per cent *of that*. Today, the share of higher education has risen to something like one-third of the total outlay on education. That this has been done at the cost of other sectors of education, particularly elementary education, is explicit in the ostensible commitment to allocate something like half the total outlay on education in the Fifth Plan (such as it is) to elementary education. The outlay on higher education, however, will still continue to be considerable in absolute terms.

The question to ask is, how did this come about and what were the pressures — social, political and economic — behind this increased emphasis on higher education. More concretely, were the pressures economic in character, or social and political? Or to put it another way, was higher education being treated as an agent of growth, or was it looked upon as a facility for which there was extensive demand and the demand had to be met somehow or other even if it meant neglect of some other important sectors of education?

Some years ago, one could have taken more than one position in regard to these questions. For the last half decade, however, unemployment among engineers has been so acute that no one can any longer pretend that the demand for higher and professional education had to be met in the interests of the 'growth of the country'. Today, it is clear that the demand for higher education is social rather than economic. That the demand has not stemmed from economic growth is also clear from the fact that any attempt to recover the cost of education — even partially — from the students is met with resistance. What the State spends per student is much higher than what the individual student spends. In consequence, the share of government expenditure on higher education has been increasing steeply as compared to support from any other source. Today, approximately two-thirds of the total expenditure on education is met from government funds.

A number of factors have thus combined to underline the class character of higher education. The rate of literacy is so low (it does not exceed 30 per cent even after a quarter century of Independence!) that, even in statistical terms, the chances of poor students entering institutions of higher learning are very low. Secondly, since the bulk of enrolment at the higher education levels comes from the middle class or the upper middle class, it is they who stand to benefit from the increased facilities for higher education. Thirdly, tuition fees are kept low so that the element of State subsidy is remarkably high. And, finally, higher education has been allowed to grow at the expense of elementary and other education — a distortion of planning and investment.

This emphasis on higher education is an aspect of the strategy of growth which has been followed by the country for a quarter century now. This strategy has perpetuated and strengthened privilege and injustice. Not only do people feel that they are not getting what they deserve, they also feel that a substantial majority of those who are doing well for themselves do not deserve to get what they are getting. The social and economic implications of this state of mind are so far-reaching that what is at stake today is not only the future of the Indian university but also the future of the Indian polity.

Whether the Indian university can survive the impending crisis — or a series of them — in the Indian polity, is not a very legitimate question. After all, the university has no autonomous existence outside of the polity. The Indian university, like any university system elsewhere, is very much a part of the polity and, to that extent, its survival or otherwise depends upon the survival of the Indian polity. How the problems of growth and of social justice are resolved does not have to be discussed here. In what manner the Indian university will have to be restructured and given a new focus in the changed circumstances, is however very much a part of the argument under discussion. Three issues have already been identified, two of them directly, and one by implication.

One refers to the question of drawing a line of distinction between under-graduate and post-graduate education. As long as this distinction cannot be clearly established, it is obvious that the Indian university will continue to be clogged with numbers. Not only that, as long as the present strategy of growth is not changed, the Indian university will never be able to discover its identity, nor indeed its parameters of functioning.

Today, the Indian university is being made to perform tasks which are clearly beyond its range of responsibilities and, therefore, also beyond its capacity. A university can train people for jobs that are either available, or

are expected to be shortly available. It can do nothing to *create* jobs. Nor can it be one of its responsibilities to pacify those within its portals and keep them occupied till such time as jobs become available. The universities, however, are being obliged to discharge these responsibilities today even though they are not competent to discharge them. One could even say that the universities are being treated as 'safety mechanisms' for the mounting anger and frustration of students who are unable to get jobs. Could there be a cheaper and socially more acceptable way of looking after three million young men and women than to enrol them in the universities? To let them loose in the streets would start a conflagration which might be difficult to contain.

Evidently, the universities are waiting-rooms for young men and women who are preparing to enter life. They are not always anxious to have university education. Quite often, they are neither well motivated nor well equipped for the purpose. What they need is a degree, so that they can get a white collar job. But jobs are scarce and there are too many people chasing too few jobs. Under the strain of impossible expectations and intolerable pressures, the university system is breaking down. What is worse, it is difficult to see how the universities, acting on their own, can do much to rescue themselves from the almost permanent crisis in which they find themselves.

The basic issue confronting the Indian polity today is, how to ensure a rate of growth which is high enough not only to neutralise the growing pressure of population but also to enable the teeming millions to get out of the morass of starvation and squalor. These twin objectives however cannot be accomplished without most people being made to believe that the system in which they live is basically just. In contemporary India the situation is exactly the opposite. The feeling of being discriminated against is so all-pervasive that the legitimacy of the system is being called into question almost all the time. As most people perceive it, there is a vast loot in progress. Whoever can help himself to whatever is available, gets away with it. There is no question of what belongs to whom and whether he has a right to have what he has. Any question of what is right or wrong is a marginal issue in such a situation.

To some people, this may appear to be an attempt to caricature what is happening. "The system is not so erratic nor so corrupt as it is sought to be suggested here", it will be said. This would be to ignore one basic law of social change; the important thing is to perceive what is emerging, not what is decaying. The general thrust is in the direction of grab-whatever-you-can.

High productivity is the end-product of a combination of several factors, one of the more important being the attitude to work and performance which most people bring to bear in respect of their assignments. In India, over the years, negligence performance has grown since one's success does not depend upon that — with the result that, while the number of jobs has been proliferating, there has been a marked decline in the output and quality of the work done.

Excluding the armed forces, the Central and the state governments have more than 10 million employees, and their total wage bill is more than the tax revenues collected by the Central government in a particular year. For the last decade or so, this expenditure has been mounting at the rate of 10-12 per cent every year. The country today faces a situation when a very substantial part of the increase of the national income goes to meet the costs of this bloated bureaucracy. In a sense, therefore, the country is caught in a vicious circle. In fact the bureaucracy has become so enormous and so well entrenched that it constitutes the largest pressure group in the country. Cases are not unknown where, in certain parts of the country, they have held the whole administrative machinery to ransom in pursuit of their parochial interests.

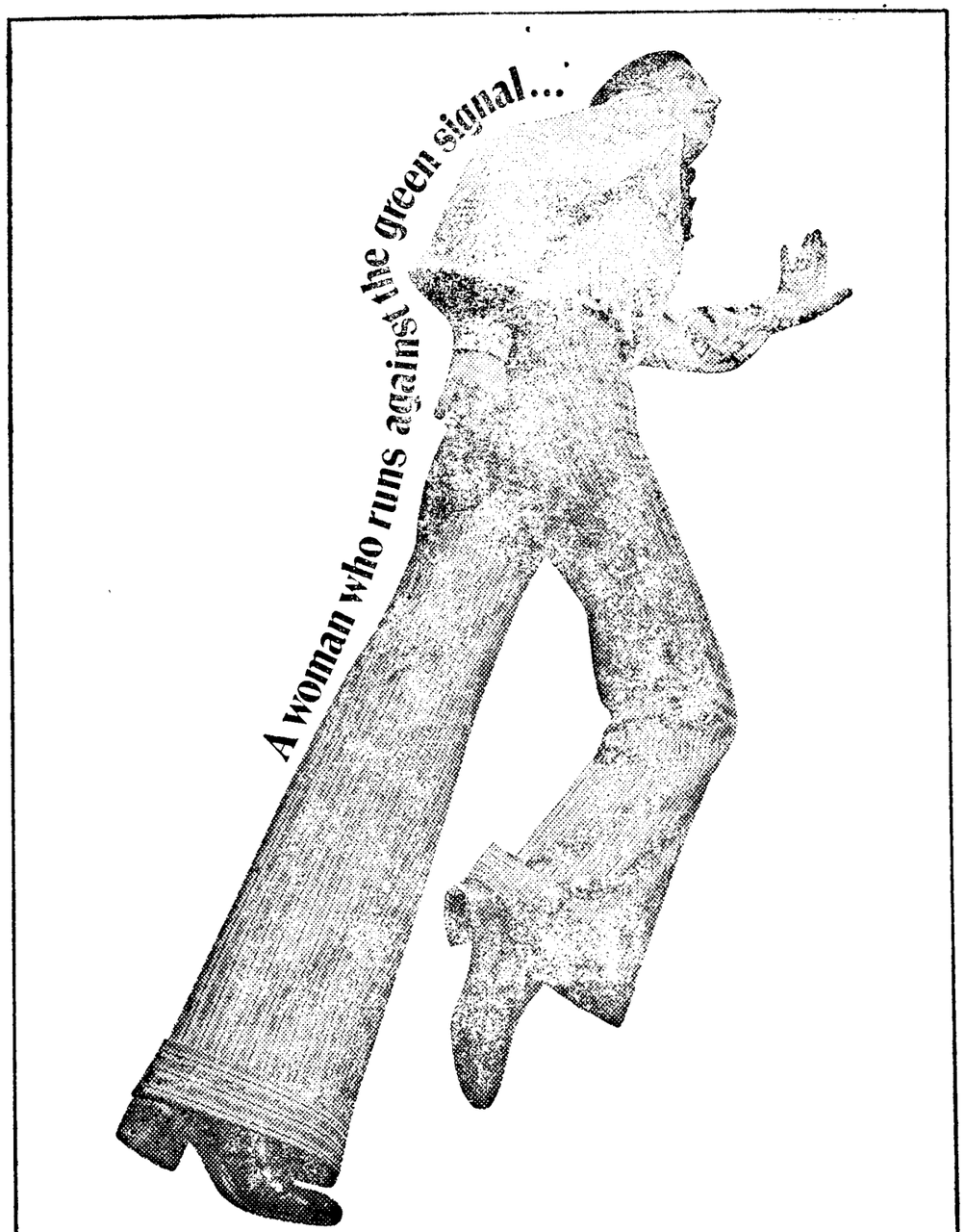
To some extent, university and college teachers too belong to this pressure group. Their number is not very large. It is approximately 1,50,000. Nor do they constitute by any means a particularly vociferous group. In their social outlook and their attitude towards performance, however, they are not at all different from others who are part of the general bureaucratic structure. Were the teachers aware of their professional obligations the situation might have been saved to some extent. As it is, professional awareness is absent and, in addition, teachers suffer from the same sense of dissatisfaction and discrimination as other people do. This makes the academic situation particularly difficult.

As far as one can see, the situation would continue to be difficult for some time. It is not possible to say at what point of time it will change. Two important preconditions for a real change are: a sharp decline in the number of those seeking entry into institutions of higher learning and a total re-orientation of the outlook of teachers. To some extent the two are inter-related and even inter-dependent. Pressure on the university will be eased only when the school system is strengthened and diversified, and secondly, when new avenues of employment are opened up for the young people. These steps involve such far-reaching social and economic changes that, without a basic shift in the strategy of growth, no step in the new direction can be taken. Once these steps are taken, the Indian university would be free to discharge its basic functions. These are not particularly different from the functions discharged by universities in other countries. But in a country such as India, their role of training skilled manpower in relation to the manpower requirements of the economy would receive somewhat greater attention.

What would happen to the teachers manning the university system would still continue to be a problem. Their quality has declined so steeply in recent years, that even to hope that things will not deteriorate looks like an exercise in optimism. No university system in any country is known to have regulated the affairs of the academic community only through bureaucratic means. These means might be somewhat relevant in other situations; in the academic situation they only make things more complicated.

If the Indian university is to survive as a meaningful institution this situation will have to change. Professional awareness will have to grow. But by itself this will not accomplish everything. The battle for professional standards will have to be ultimately fought within the universities and by the academics who constitute the university.

Today the university is virtually indistinguishable from the marketplace. In the changed circumstances, the university will have to evolve an ethic of its own. So depressing is the situation today that such a hope may well be regarded as utopian. This would be taking a somewhat static view of the situation. The Indian university has to evolve if it is to survive. The only way it can survive, today, is by preserving its identity as an institution against the pressures of the marketplace. That these are too many and too oppressive is not enough reason for the university to abdicate its responsibility. What is undermining both its integrity and its vitality is the reluctance of academics too to involve themselves in the problems facing the polity.



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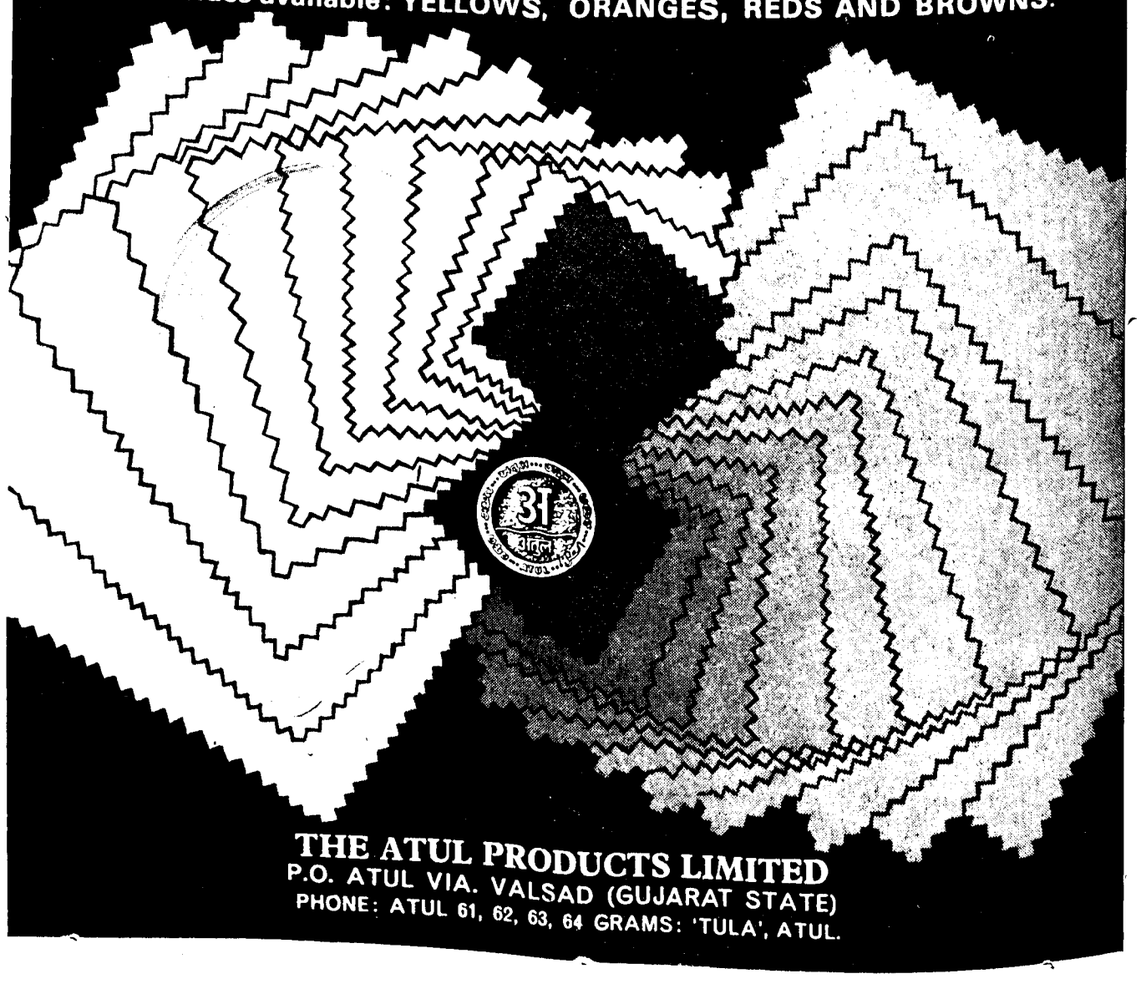
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WEEKLY

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MISDEEDS OF SAIL

CONCENTRATION OF ECONOMIC POWER IN PAKISTAN

SCHEDULED TRIBES: PLACATORY MEASURES FAIL

MISUSE OF IRRIGATION WATER

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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol X No 23 June 7, 1975

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Deficit without Purpose

ON May 23, loans and advances to the state governments from the Reserve Bank stood at Rs 470 crores. At the end of April 1972, when the state governments' overdrafts with the RBI had reached Rs 642 crores — as compared with Rs 371 crores at the end-June 1971 — there had been severe criticism and concern. The Central government had come to the rescue, and the overdrafts were cleared — partly with special ways and means assistance from the Central government and partly with advance releases of payments due to the states. Thus, of the Rs 511 crores of special ways and means assistance granted to states in 1972-73, Rs 90 crores were recovered by the Central government during that year, and the balance of Rs 421 crores was converted into a medium-term loan to be recovered in 1973-74 and during the Fifth Plan. At the same time, however, leniency was shown towards the state governments by enhancing the limits of unsecured and secured ways and means advances from the RBI — from Rs 19.5 crores to Rs 78 crores, with effect from May 1972. In addition, the state governments were allowed the facility of secured ways and means advances, of Rs 35.6 crores, against Central government securities held by them.

Thus, the states' overdrafts from the RBI are by no means a new phenomenon. In fact, over the last five to six years the states have continually resorted to heavy borrowing from the RBI, it has an assured and easy source of finance, compared with the politically difficult task of raising resources through taxation. Even so, it was believed that, after the Centre's intervention in 1972, the states would begin to exercise greater financial discipline. Now, with the overdrafts assuming alarming proportions, the problem has been brought to the fore again.

Statutorily, the state governments can neither resort to deficit financing, nor draw credit from the banking system — except very temporarily, for not more than seven days. They are, however, entitled to ways and means advances, to save them the inconvenience of temporary shortfalls from lagged receipts of revenues or from bunching of disbursements. Even here, the limits are predetermined for each state after taking into account their overall budgetary transactions. In legal terms, therefore, the overdrafts for longer periods by the state governments amount to deficit financing by them which is unauthorised.

While, by traditional and legal standards, overdrafts by state governments are impermissible, there are several underlying forces in Indian development which need to be grasped in this context. India is constitutionally a federal State. It follows that the same party may not rule at the Centre and in the various states. Yet the areas for resource-raising left to state governments, through taxation and market borrowings, are far more limited than those available to the Central government. It has been evident, time and again, that the Central government has been discriminating in its financial assistance to the states. For instance, the current overdrafts by UP are as high as Rs 120 crores and overdrafts by Bihar are not far behind. In allowing such lapses again, as well as in numerous other ways such as sanctioning of Central loans, allotment for drought relief, allocation of scarce commodities including foodgrains, location of Centrally-financed development projects, the Centre has actively discriminated in favour of the states where it has special political stakes.

Given the constellation of political forces, the crucial question is, why should the Central government alone have the power for unrestricted deficit financing. Nothing about the Centre's economic policies, or its financial dispensations, warrants the confidence that it, more than the state governments, is better qualified to dispense funds in the interests of growth and of the people. If fiscal discipline needs to be exercised by the state governments, so does it need to be practised by the Centre.

As things stand today, moreover, the state governments are heavily burdened with the problem of repaying past loans from the Centre; consequently, their net receipts of assistance from the Centre are relatively small. According to the revised estimates, loan repayment to the Centre was Rs 910 crores in 1973-74; if interest payments on outstanding Central loan are included, such payments to the Centre would get considerably inflated. Compared with this debt-servicing burden, the extent to which the states on an average resort to overdrafts in any year is quite small. It is also quite small compared with the deficit financing incurred by the Centre on an average in any given year. Both to underpin the federal character of the Union, and to help the process of democratisation in the states by making the state governments more identifiably responsible to their respective populations, there may be a case

ed the picture much except perhaps to take care of the incremental world demand for oil.

Iran has already threatened that it wants the oil price to be raised by about 35 per cent after September. It is reported that Saudi Arabia is favourably disposed towards such a move. Such a step would push up the balance of payments surplus of OPEC countries to about $ 75-80 billion from its current level of around $ 45-50 billion during 1974. Will the world monetary system be able to bear such a huge burden and still remain in reasonable working condition? As for India, this would straightaway mean an additional payments burden of about Rs 400 crores annually at the current level of imports. Can India bear this additional burden?

Irrigation

Misuse of Water

THE Maharashtra government's recent decision to make it obligatory for farmers to transfer a part of their irrigated land from cash crops like sugarcane to foodgrain crops is a significant step in several respects. The step implies direct intervention by the state to determine the utilisation pattern of a resource which it directly or indirectly helped in building up.

Unfortunately, water use policies in India have always been confined to the creation of irrigation facilities (upto the level of field channels in some cases) and then having little control in terms of regulating their end use or ensuring adequate pay-off. This deficiency was aptly described by a consultant to the Irrigation Commission, when he said that "India's problem is not so much an inadequacy of water but rather improper utilisation of water".

The practices involving improper utilisation of water in terms of devoting it to high water-consuming crops in place of equally suitable low water-consuming crops may be traced in the early history of canal irrigation introduced during British rule. Like railroads and the over-emphasised plantation crops, canal irrigation too was introduced largely to serve imperial interests. Crops like indigo, sugarcane, irrigated cotton, etc (sources of raw material for British industry) were encouraged in the areas covered by the new canals. Even when subsequently other crops became popular, the emphasis on irrigated wet crops remained an integral part of irrigation policy. After Independence, while conceiving of new irrigation projects, irrigated wet crops dominated the thinking of planners and the cost-benefit of projects was worked out only in terms of economics of irrigated wet crops. In a country where vast areas under dry crops are subject to frequent droughts, the irrigated wet crops, notwithstanding their high value and in some cases export potential, can hardly be expected to impart the required degree of stability to agriculture (and to the agriculture-dominated national economy). Yet little attention has been given to irrigated dry crops where, through protective irrigation, vast areas operated by a much larger number of farmers may be covered.

At times the obsession with irrigated wet crops reaches absurd proportions. For instance, in the Chandan area of Rajasthan (where groundwater was discovered while searching for oil) even the state-owned tubewells irrigate wheat crops, while the same water could irrigate bajra during a drought spell or irrigate vast tracts of pasture and help raise livestock production — so much more suited to the region. In the Junagadh area of Gujarat where one could most profitably irrigate groundnut and other dry crops over vast areas the wells constructed with LDB help are used largely for watering crops like sugarcane and banana. In the Telengana area of Andhra Pradesh with the traditional system of tank irrigation, the water is almost solely used for paddy crops where it uses 80" of water as against 60" in the rice-growing areas of coastal Andhra. In several of the drought-prone areas where rainfall is about 20", raising of crops consuming nearly 80" of water is a luxury which this country can ill afford.

Against this background, the Andhra Pradesh government's decision to construct some minor irrigation tanks designed for the sole purpose of protective and supplemental irrigation for dry crops on nearly 30,000 hectares of net sown area in the drought-prone areas of Anantapur and Kurnool seems to be a bold and sensible one. The proposed design of the canals under the scheme would facilitate the spreading of water over a maximum area within a short time during the drought spell. Active involvement of the beneficiaries is envisaged through advance collection of betterment levy to be used for the construction of the tanks. After the completion of the tanks additional revenue (for water use) will be charged only when water is actually used. During the non-drought years water will be supplied on rotation basis to those who desire to have rabi crops, for which water charges will be collected. Once the system gets established, the management of the schemes will be handed over to organisations of beneficiaries. In course of time, the state government plans to have more than 230 such schemes to provide protective irrigation to dry crops in the two districts. The Central government is reported to have actively supported this approach. Should this be considered as a new beginning in irrigation policies?

LETTERS TO EDITOR

The Left in Portugal

I AM a Portuguese citizen married to an Indian citizen and we are both living in the USA at the moment. I would like to rectify one of the statements contained in your article "Portugal: Radicalism on the Leash" (March 29). This may be of interest not only for a correct assessment of the situation in Portugal, but also for the general well-faring of the left struggle in other parts of the world.

The banning of the AOC and of the MRPP (standing, respectively, for Workers and Peasants' Association, and Movement for the Reorganisation of the Party of the Proletariat) has not left the Communist Party "as the most radical organisation officially in the field", — at least, not in the sense you yourselves use the word radical. The following parties, generally considered "left" of the official Portuguese Communist Party, are still legal and running for the April 25 elections (which will have taken place by the time you receive this letter): FEC (M-L) — Electoral Communist Front, Marxist-Leninist; and UDP — Democratic Popular Union. The FEC (M-L) does not seem to be too far in its strategy from the extinguished MRPP, extinction which it officially deplores. The UDP advocates a "revolution" of the present Communist Party and, in the international arena, an alliance with the Third World. It is a coalition of three small leftist parties, including a group formed in 1964 in sequence of a split inside the CP, due among other things to the Chino-Soviet ideological conflict. It never was a large group, but it became noticeable in the late sixties due to its more militant (i c, armed) approach to underground politics. Another well known small party which is in full existence and considers itself left of the CP is LUAR (Revolutionary Action League), which does not run in the elections in order to be, unlike other leftist parties, consistent with its declared beliefs. LUAR was the organisation involved, among other things, in a spectacular robbery of a bank a few years back, in which no one was caught and a lot of money appropriated. It is believed to be a movement with some implantation in the army. Other small leftist parties, such as the Revolutionary Brigades, are indeed not "officially in the field", since they have opted to remain, at least partially, underground.

Running for the elections are other leftist parties which cannot be easily defined as left or right of the CP. They are not, as LUAR is also not, frontally opposed to it. The very small LCI — Internationalist Communist League (Trotskyite); the larger FSP (Popular Socialist Front, a split of the left wing of the Socialist Party); and the also fairly large MES (Movement of the Socialist Left), a fairly vocal movement of Marxist ideologues. The two latter parties have had a few working meetings with the CP, but are nevertheless quite distinct and independent from it. Fighting the elections in complete solidarity with the CP is the MDP (Portuguese Democratic Movement), which used to be the public common front of all major opposition parties during the fascist years.

To the right of the CP there is, in crescendo order, the Socialist Party, the Popular Democratic Party and the Party of the Social Democratic Centre. The Socialist Party is against any form of dictatorship, including the dictatorship of the proletariat. It seems to prefer to compromise with capitalism rather than with any loss of "freedom". The PPD defends capitalism but claims to be against the big monopolies. The CDS is friendly with — the Christian Democrat parties in Europe and is believed to defend the big capital. Its meetings are always the scenario of large gatherings of people clamouring for its extinction. The even more to the right Christian Democrats were recently banned under a decree that no party shall use religious labels. The skill with which the Movement of the Armed Forces has so far handled the question of the Portuguese Catholic Church — so powerful in terms of its constituency — has been one of the reasons of its success.

In no way it is warranted, I believe, to say that left radicalism is "on the leash" at this moment in Portugal. Also, if some of the stands taken by the CP, and some of its methods, can be criticised, it has to be granted that it is due to its cultivation of party discipline and of the policy of "closing ranks" that it can claim to be the largest and best organised party in the field professing a Marxist ideology. As much as they all clamour against the "revisionism" of the CP, the various radical left-wing parties have been unable to join together in a common platform. Individualism seems to have contaminated their interpretation of historical materialism. They keep proliferating and spreading confusion in the minds of the peasants and workers they profess to defend.

MARGARIDA LOSA MENDIRATTA
Stormville, NY,
US.

Sarvodaya and Land Reform

THIS refers to your Correspondent's report "Land: The Sarvodaya Farce" (May 3). The Sarvodaya movement did not reach its target is true. This does not mean that it was altogether an unsuccessful attempt. Glancing at the statistics: 43.52 lakh acres of land were received as donation from nearly 15 lakh donors, and about 10 lakh acres were distributed among approximately 4.75 lakh households. The work has been admired by scholars all the world over. According to a recent assessment, "Gramdan has, so far, achieved more than the government. In Tamil Nadu, gramdan has redistributed over 20,000 acres and the government 8,000; in Bihar, the ratio is 340,000 acres to the government's 10,000. The government has compensated landowners to the extent of £ 500 m at 1966 rates; gramdan involves no compensation. The merits of government policies are debatable, but one can conclude that gramdan does offer a genuine alternative programme which could create an egalitarian and prosperous agrarian economy based with a democratic socio-political system" (*South Asian Review*, July 1974).

SATYA NARAIN
Gandhi Peace Foundation
New Delhi

Command Performance?

IT is strange that you should rush an editorial ("Vice-Chancellors: A Command Performance", March 29) without first ascertaining the facts of an event. First of all K L Shrimali was not a former Minister of State for Education at the Centre but Cabinet Minister for Education. Secondly, he was not rewarded with Vice-Chancellorship of BHU. He was already the Vice-Chancellor of Mysore University. He resigned from Mysore to join BHU. Thirdly, it is wrong that the Vice-Chancellors met the Prime Minister after the Convention on March 26. It was before the Convention that the Vice-Chancellors met the Prime Minister at Parliament House.

You have noted "the Vice-Chancellors dutifully trooped off to pay their respect to the PM . . .". Vice-Chancellors are facing difficult situations all over the country and if they placed their difficulties before the Prime Minister, what is wrong about this? This is not the first time that the Vice-Chancellors have called on the Prime Minister.

Today the Vice-Chancellors are feeling that the Universities of India are facing the problem of law and order and the situation is deteriorating day by day. To deal with this situation to whom should the Vice Chancellors appeal in the country — the Prime Minister or JP?

D R GOYAL
New Delhi

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Calcutta Diary

A M

IN the by-now-much-alluded-to report of the Public Accounts Committee on the tax assessments of the National and Grindlays Bank and some of its principal employees, one comes across a reference to one Shri Kasbekar who happens to be one of the principal accountants of the bank. It is the customs inspectors, we are told, who turn out to be the best smugglers once they quit their jobs and seek fresh pastures. In this instance, Shri Kasbekar is stated to have been, in the past, an officer of the Income-Tax Deparment. As an official tax sleuth, he was on a number of occasions responsible for making the tax assessments of the bank. Acquaintance leads to intimacy: in 1966, he left the Department and joined the bank. The Government apparently could not care less, as a result of which, both Shri Kasbekar and National and Grindlays Bank found the crossing over mutually satisfactory. Pareto Optimality was ushered in. It is possible that the Appellate Assistant Income-Tax Commissioner — who decided to wink at the bank's writing off a loan of Rs 75 lakhs to Messrs Hoare Miller and Company as 'bad debt' — was chummy with Shri Kasbekar when he was serving the Income-Tax Department. Some friendships last long. And, who does not know, all kinds of consequences can follow where friendships are involved.

This is, of course, purely speculative; and why pick on poor Shri Kasbekar alone. One knows of at least two personages who had adorned the august position of Comptroller and Auditor-General of the country, who, after laying down charge of that office, found themselves employed by a large number of private companies as part-time directors or consultants. At least one of them, gossip has it, is on the board of at least 20 private companies. The more the number of directorships, the larger the size of aggregate remunerations, and the merrier the general condition of living. It is also not just Comptrollers and Auditors-General who have shown this propensity never to retire: Dozens and dozens of Secretaries to the Government of India have also accepted cozy sinecure-jobs in the private sector as chairmen or managing directors, or both, soon after retirement. In this connection, one could also mention several former Governors of the Reserve Bank of India. In addition, even while they are still serving in public posts, the offspring of these eminent ones are placed in nice executive slots in private firms. It may, indeed, be that all these offspring are brilliant; the aesthetics of the matter is not resolved thereby.

Why, then, pick on poor Shri Kasbekar and others of his ilk? They merely are following a cultural norm, which has evolved over a quarter of a century, and with the implicit blessings of the political leadership who constitute the Government? In ordinary circumstances, one is expected to wait a mandatory interval of time after retirement from Government service before being permitted to take up an assignment in the private sector. But the Government, in its discretion, can waive or telescope this period of waiting. At least in the case of important individuals, such as retiring Comptroller and Auditor-General, a Secretary to the Government, or a Governor of the Reserve Bank, the Union Cabinet has invariably waived the provision.

Again, nobody need entertain any doubt that, one or two lemons apart, these men were, and remain, outstandingly competent people. Most of them, whom they retire at the age of 58 or after 35 years of service, whichever is earlier, are also fully in possession of their faculties. They could, indeed, maintain that no hanky-panky was involved in their being invited by private firms to assume important offices. In a free market arrangement, it is but natural for people with such rich experience and ability to be welcomed with open arms by the private companies and to be offered prized positions. Their talent has not yet run its full course, and therefore — the argument would proceed — it would be a deviation from economic optimality not to make use of their services. If, for reasons of technicality, they cannot be retained in government posts, let them serve the nation from strategic locations in the private sector!

If one is so bent, therefore, one can disregard the criticisms mounted from the point of view of morality and ethics. But what about the aesthetics of it? For, ultimately, what matters is not whether everything is open and above-board, but whether the *impression* that is created is of everything being open and above-board. For, suppose jaundiced men keep arguing that these gentlemen are picked by the private sector and provided with opulent subsidies for the favours they rendered in the past. There is no way in which this accusation can be refuted.

There is, of course, also the other aspect. Most of the senior former civil servants, once they join the private sector — whether as chairman or managing director, or both — in fact become little more than glorified lobbyists for the companies. Every now and then, they travel to New Delhi; or, maybe, they are already installed in airconditioned premises there. They put in a casual-sounding call to the Secretary of a particular Ministry, or do not perhaps even bother to put in the call but simply walk into the Secretary's room. After all, when he himself was Secretary to the Government, or the CAG, or the Governor of the RBI, the incumbent Secretary was perhaps serving under him as Joint Secretary or Additional Secretary or Deputy Governor. This you can call the Old Boy Network, or a policy of gracious politeness, or simply investment in the future — for, even the present Secretary might be looking forward to a future after retirement or might have a son or son-in-law who has to be absorbed by the private sector.

Therefore, the possibility always remains of decisions being made or unmade as a result of such pseudo-casual droppings-in; in either event, advantages flow toward the direction of the private company with which the retired civil servant is associated. It could be a question of raising the price of aluminium products, or enlarging the margin of cash subsidies for an export item, or arranging an import licence for an equipment which normally ought not to be brought in from abroad, or a loan from a commercial bank which is facilitated by a word put in, or a quota of special kinds of steel not available in the market, or derequisitioning some land whose speculative value has suddenly shot up in the market, or requisitioning by the Government of some land and turning that over to the private firm, or, for that matter, reconsidering the income-tax and corporation tax assessments of the firm and its major office-bearers.

Again, one should be fair. Much of what has been mentioned above belongs to the arena of speculation. On the other hand, simply because it will be difficult to substantiate, in each instance, the stories that are spread, it would be awfully hard to maintain that administrative decisions are not purposely turned wayward to please X or Y. You have just to eavesdrop down the walls along the corridors and the catwalks of New Delhi, and you can gather a whole lot of information about how things are 'fixed'. Therefore, by all means, pick on Shri Kasbekar of the National and Grindlays Bank and the Appellate Assistant Commissioner of Income-Tax, in case there is any hanky-panky in their conduct. But why pick them as individuals? Why not widen the sphere of your enquiry and go into the issues connected with the induction of former government officials into the private sector?

After all, for these individuals as for others, the example is set by those who are at the top. If a former Comptroller and Auditor-General does not mind ditching the dignity which attaches to the high office he has held but converts himself into a New Delhi contactman for private parties, how do you expect a lowly placed officer or a petty clerk to learn a different code of behaviour? What is permissible for the eminent goose ought to be equally permissible for the run-of-the-mill gander. And, why stop even with a past Comptroller and Auditor-General, a former Secretary to the Government of India, or a retired Governor of the Reserve Bank? These high-powered civil servants can argue that they, too, are merely following the trail blazed by the Ministers themselves — Ministers who have long since decided to blot out the distinction between public and private-cum-party interests.

It is no longer extraordinary that the Housing Minister of Kerala should dare to launch an open public attack against the comments of the Accountant General of the State on the much touted housing programme for the poor initiated by him and accuse the latter of political motivation. In attacking the AG, the Minister was, in fact, attacking the office of the Comptroller and Auditor-General, whose representative the Accountant-General is. The Kerala Minister knows he will get away with his performance, because he knows there are skeletons in the cupboard of each and every one, including that of the highest placed. For, since formally one cannot really establish the charge of corruption, the issue is denigrated. Thus, while auditing the drought and famine relief expenditure in a particular state, you may discover that as much as 5 or 10 per cent of the total outlay, earmarked for providing relief to the distressed ones, has actually been utilised to build helipads in remote areas so that the Prime Minister's helicopter may descend and she may offer the stricken ones words of cheer. It would appear entirely coincidental that, within a couple of months, she will return and land on those same helipads in order to conduct a blitzkrieg of an electioneering campaign on behalf of her Party's candidates. It is a thin dividing line, indeed, between what is 'corrupt' and what is 'amoral'.

CAPITAL VIEW

Gujarat: Pointers to Tomorrow

Romesh Thapar

AS the election campaign in Gujarat proceeds, and reports pour in of drought and famine in various parts of the country, we wonder more and more whether we have not given ourselves some absurdly expensive game which we do not really know how to play. The parties are daily bombarding each other with accusations and counter-accusations. Very little of the problem of Gujarat emerges. The issues are really non-existent. Power is sought by various factions for the sole purpose of wielding patronage, misusing positions of trust, parcelling out perks and privileges, building lucrative empires. No one bothers to spell out what the commitments should be.

In this kind of atmosphere, Indira Gandhi is supreme. Donning a garb which makes her look like a Gujarati *mata*, there is no one who can stand up to her. The lady's election tour is at a pace calculated to exhaust an opponent half her age, let alone the gerontocracy arraigned against her. Yes, the crowds are huge, but there is a mood which has not been witnessed before. Quiet, thoughtful, without euphoric responses. And despite the disruption which political goondas are indulging in.

This mood suggests that it would be foolhardy to rely on surface signs. The people of Gujarat are not the dumb millions of Uttar Pradesh and Bihar; they are very conscious of their rights and will not really decide which way to vote until the campaign ends in their districts. Maybe, someone might yet talk of an action programme to give the state back its 'elan'. Maybe. Or else, they'll have to rely on the rhetoric. Here, Indira Gandhi is not to be scoffed at.

Apart from the mood, reports agree that the ruling Congress hasn't yet been able to show evidence of a motivated organisation at the grass-roots. The Congress split and the opportunist factional politics of recent years, together with the disastrous organisational methods of Chimanbhai Patel of relying on landlord power, have wrecked a party machine which was the envy of other states. Today, money flows, jeeps move, local leaders man the reception lines, but there is no one masterminding the details of electioneering in every area or projecting an image at the state level of a coherent party able to provide stable and just government.

There is now no doubt that the opposition parties shuffling for vantage positions behind Morarji Desai, JP and Chimanbhai Patel are deeply worried by what the split vote will do. A touch of this realisation can be gleaned from the speeches of the Jan Sangh leader, Atal Behari Vajpayee, who keeps harping on the need to build a Janata Front for the general elections. In this sense, Gujarat is a kind of testing ground for the election tactics of tomorrow.

For some time now, and to the embarrassment of a number of Jan Sangh and RSS factions, Atal Behari Vajpayee has been pushing the idea that his party should fuse with other like-minded groups in a coherent coalition to defeat the ruling Congress. If the Jan Sangh and RSS can be persuaded to adopt the familiar united front tactic of the communists, then we should be entered upon some very interesting manoeuvres in national politics. It would not be far-fetched to foresee the possibility of two amorphous "gatherings" confronting each other, an amorphous Right and an amorphous Left. Oddly enough, it is the messy and diffused Gujarat situation which is crystallising some such thoughts.

In somewhat different situations, as far separate as Kerala and Kashmir, similar thoughts are beginning to be expressed. Indeed, Sheikh Abdulla's sudden decision to make the National Conference the "united front" of Jammu and Kashmir, a move which would sound the death knell of the State Congress Party as an independent entity, places the discussion about alignments and coalitions in a qualitatively different context. The communists will also move for more organic fronts against those which are being formed. They are silent at the moment because they have no base upon which to develop

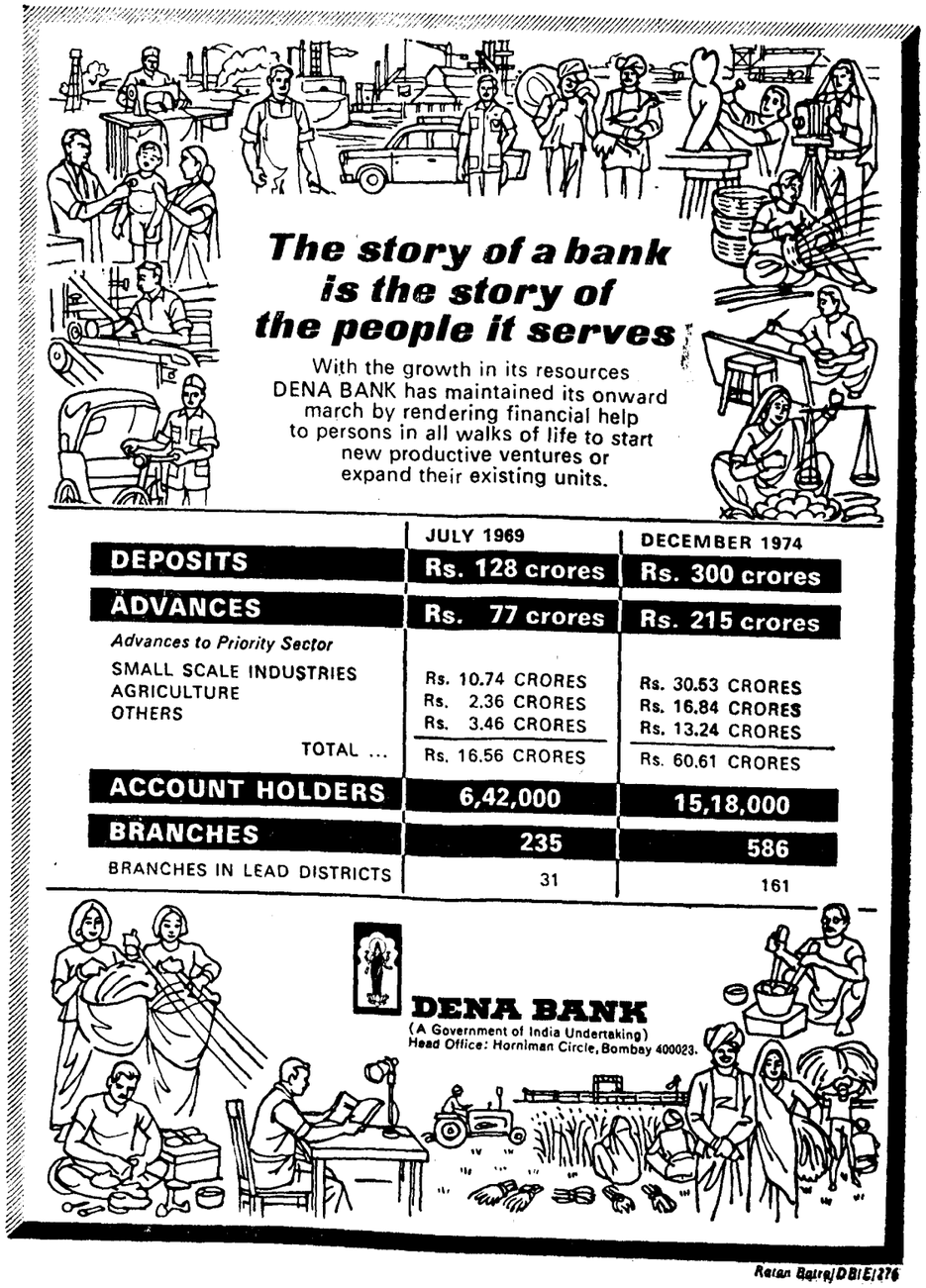
these concepts. But Kerala offers a starting point.

Marginal results will spark dissatisfaction in the ruling Congress. Fears will develop about the party's prospects in the future. A Congress-led front of communists, socialists and independent progressives, together with some sectional groupings, will not be unattractive when it is certain that the monolithic power of yesterday is no longer possible. And the 'elan' of yesterday which accepted a defeat in this or that state as a timely democratic reminder to reform, regroup and to resume battle is not to be seen. Now the passion is to cling to power whatever the cost.

Gujarat will certainly give us many pointers. The result will be marginal at best, but a study of voting behaviour against the background of what the state has experienced during this past year will yield lessons which our corruption-encrusted politicians of Right, Left and Centre persuasion will have to digest. Yes, this electioneering is expensive schooling for "our leaders" (*sic!*), but what's the alternative?

I'll stop now. We are back to base even though our thoughts are with Judge Sinha in Allahabad/Nainital.

June 2



Higher Profits despite Lower Margins

Hansavivek

BARODA RAYON is going ahead with the preliminaries for its nylon tyre-cord project manufacture annually of 2,000 tonnes of cord. The collaboration agreement with Unitika of Japan has been taken on record by the Government of India. Government has communicated to the company its intention to clear the project under the MRTP Act on certain conditions, which have been accepted by the company. Government has also cleared the foreign exchange equivalent to Rs 240 lakhs for the import of plant and machinery. Meanwhile, steps are being taken to convert the 'letter of intent' into an industrial licence. It is intended to finance the project with internal resources and borrowings from the financial institutions, to whom applications have been submitted. It is also proposed to issue some preference capital. The company may also raise the equity if the financial institutions insist on this. The implementation of the Rs 40-crore rayon-grade pulp project, proposed to be set up in MP, is also in progress. The initial laboratory tests, of wood collected from the forests, have shown encouraging results. The company has received a 'letter of intent' for increasing the nylon filament yarn capacity, from 1,800 tonnes to 2,100 tonnes per annum. The company expects to get the industrial licence soon. The management does not intend to raise any equity or preference capital for implementation of this scheme. The cellophane project is also receiving the attention of the management. The capital goods application is awaiting government clearance.

During 1974, the company increased its sales and gross profit — though margins came under some pressure owing to rise in cost. Equity dividend is lowered, from 5.23 per cent to 4.80 per cent, in view of the restrictions on distribution. The rayon yarn plant worked last year at a lower average denier, resulting in a nominal fall in the absolute tonnage of production. The cost of imported rayon grade wood pulp — the basic raw material — has now gone up from Rs 3,368 to Rs 6,286 per tonne. Production of nylon yarn was affected by the acute shortage of caprolactum — the basic raw material. The company could produce only 821 tonnes of nylon yarn, against the installed capacity of 1,800 tonnes. The company complains that its Italian collaborators were willing to supply imported caprolactum, but STC expressed its inability to assist, as government had no foreign exchange available for caprolactum. Gujarat State Fertiliser Corporation commissioned its plant at Baroda during July 1974; but it could not meet the full requirements till March this year. The price of caprolactum was fixed at Rs 41,000 per tonne and this was reduced to Rs 35,000 per tonne on representation by the industry; but even this price is far higher than the present price of imported caprolactum, of Rs

The Week's Companies

(Rs in Lakhs)

	Baroda Rayon		Hindustan Lever		Sandoz	
	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 31-12-74	Last Year 31-12-73	Latest Year 31-12-74	Last Year 31-12-73
Paid-up capital	810	804	1685	1445	150	150
Reserves	564	335	2701	2585	252	206
Borrowings	1266	1094	1418	1055	497	483
of which Term borrowings	690	688	276	282	194	139
Gross fixed assets	2514	2457	4278	1034	648	575
Net fixed assets	1750	1831	2783	2673	371	321
Investments	—	—	8	8	2	2
Current liabilities	169	151	2113	1326	599	315
Current assets	1040	544	5134	3738	1125	830
Stocks	778	344	4110	2274	686	417
Book debts	235	118	994	1142	416	407
Net sales	1434	786	13245	12433	1850	1494
Other income	10	14	60	53	79	19
Raw material costs	512	176	9875	8420	728	475
Wages	230	170	1330	1032	286	234
Interest	134	20	132	56	61	45
Gross profit (+)/loss(—)	393	221	1069	1064	239	235
Depreciation provision	140	36	147	141	46	39
Tax provision	—	110	580	598	135	140
Net profit (+)/loss(—)	253	75	342	325	58	56
Development rebate provision	193	3	7	11	3	3
Transfer to reserves	—3	47	74	54	37	35
Dividend						
Amount	P 29 E 34	— 25	E 261	260	E 18	18
Rate (per cent)	P 9.5 E4.80	— 5.23	E 15.50	18	E 12	12
Cover (times)	0.91	2.88	1.26	1.21	3.05	2.94
Ratios (per cent)						
Gross profit/sales	27.40	30.03	8.08	8.56	12.92	16.06
Net profit/capital employed	9.58	3.36	5.89	6.39	6.45	6.55
Inventories/sales	54.25	43.76	31.03	18.21	37.08	27.88
Wages/sales	16.04	21.62	10.04	8.46	15.46	15.31

15,000.

The market trends for rayon and nylon yarns remained favourable till August last, but the industry faced 'unprecedented recession' in the subsequent three months. Market prices of rayon and nylon yarns had gone down 'much below the cost of production'. Fall in export of fabrics, stringent monetary conditions, restrictions on credit facilities, buyers' resistance, and lower demand on account of power cuts in the various states, combined to bring about these conditions. The power supply to the nylon division from GSEB has been irregular, and the company has imported a diesel generating set of 1,100 KVA against a loan from GHC.

HINDUSTAN LEVER is taking up a few new projects. It has obtained a 'letter of intent' for setting up an export-oriented project in Maharashtra for manufacture of ossein. It is also implementing a project in Jammu and Kashmir for production of synthetic detergents, the 'letter of intent' in respect of which has been converted into an industrial licence. Besides, the company has been engaged in the preliminary work, and negotiations for supply of knowhow for the intended industrial phosphates project. Meanwhile, the company has developed triglyceride, for export, based on an indigenous unconventional oil and has also installed the necessary processing facilities. Exports of this product amounted to Rs 50 lakhs last year, and are expected to exceed Rs 300 lakhs this year. The research and development work on unconventional oils, carried out during the last several years, has enabled the company to produce all its soaps — including toilet soaps — without the use of imported tallow. The company has also carried out a major programme to optimise the usage of key raw materials required for manufacture of synthetic detergents. During 1974, HL had to contend with galloping increase in costs of materials and labour, and a substantial increase in the working capital requirements. Moreover, many of the products were under rigid price control for the major part of the year. Profit-margins, therefore, came under pressure. Even so, net profit was higher than last year's, and dividend, reduced from 18 per cent to 15.5 per cent, had a slightly better cover. Soap production declined during the first three quarters of the year as a result of a sharp rise in the price of oils, which could not be reflected in the price of soap. With the removal of the informal price control on soaps in September, production of all soaps was restored to normal and was based mainly on indigenous oils. The price of synthetic detergents was increased following a sharp increase in the price of key raw materials. Vansapati production had to be curtailed severely to minimise losses caused by unrealistic price control. The situation has since been rectified, through decontrol of vanaspati prices. The company has obtained government approval under the Foreign Exchange Regulation Act for sale of the Tiruchirapalli factory, but negotiations for the sale of its Etah dairy were suspended because of an appeal from the employees who wanted another attempt to be made in the ensuing season to make the unit viable.

SANDOZ (INDIA)'s working results for 1974 reveal marked contraction of margins. Despite a near-24 per cent advance in sales, gross profit could edge up by less than two per cent owing to price control and increased costs. Cost of materials increased by 53 per cent over the year, that of interest by 35 per cent, power and fuel by 70 per cent, and transport by 50 per cent. In addition, a 24-day strike at the manufacturing unit at Kolshet and intermittent shortages of power, fuel, and raw materials, and the credit restrictions, led to disruptions in the planned production schedules. The major portion of increase in turnover was accounted for by the agro-chemical division, which almost doubled its sales. Government granted a first industrial licence for manufacture of technical ingredients for the company's popular pesticide 'ekalux'. The research and development section adapted the manufacturing processes in a short time to the available equipment, and the company was able to start production last year. The dyes division began the last year on an optimistic note, but adverse developments in the textile and leather industries slowed down the growth of turnover in the second half of the year. The company intends to offer its 'foron' brands of dyes in future not only in liquid but also in power forms, which makes some additional installations necessary. Full operations should become possible early next year. The turnover of the pharmaceutical division increased satisfactorily, and would have been even better if the company could introduce a number of original research products — which were slated for introduction but were postponed owing to industrial licensing restrictions. The company was able to repeat the record export performance of 1973 once again in 1974, when exports reached almost Rs two crores. The company argues that exports would have been much higher, had there been no delay in grant of import licence for some of the raw materials and intermediates. For 1975, the company already has orders in hand for over Rs 1.8 crores. The company hopes at least to equal the performance in 1974. S Ranganathan, chairman, says that the government approved some price revisions for the company's pharmaceutical products which will provide some relief and will partially compensate for some of the additional cost of raw and packaging materials. He observes, however, that profit margins in relative terms will continue to stay reduced. Commenting on the overall prospects for the company, he says that the management is optimistic that the company will achieve a reasonable growth rate in 1975 as well, if the power supply position does not further worsen and the company is not starved of its genuine working capital needs.

GUJARAT ALKALIES AND CHEMICALS, promoted by Gujarat government, is establishing a project near Baroda to produce 37,425 tonnes of caustic soda, 33,000 tonnes of liquid chlorine, and 15,000 tonnes of hydrochloric acid per annum. Total cost of the project is estimated at Rs 11.40 crores and this is proposed to be financed by equity share capital (Rs 4.25 crores) and term loans or debentures (Rs 7.15 crores). The entire foreign exchange component of the project has been made available by KFW of West Germany. The project engineering will be undertaken by Friedrich Uhde of West Germany. Construction of the factory has already commenced, and the plant is expected to go into production by July next year. GACL will be the largest unit in Gujarat to make caustic soda and chlorine. The project is ideally located because of abundant availability of salt, the major raw material, and within easy transportation range of major chemical consumers. The company is offering, for public subscription, 24.5 lakh equity shares of Rs 10 each at par. The subscription list will open on June 19 and close on June 30 or earlier, but not earlier than June 11. The public issue is managed by FICOM.

NEW DELHI

Misdeeds of SAIL

B M

THE resignation of the General Manager of the Durgapur steel plant, B R Tulpule, administered a severe jolt to the smug complacency of the Steel Authority of India (SAIL) and the Steel Ministry. Quick on its heels has come the breakdown of the negotiations over a new wage agreement for the steel industry. This has created a serious crisis for the industry — and for SAIL in particular.

The steel industry has already lost its place in the "core sector" of our Plans — thanks mainly to the general slowing down of the development effort and abandonment of the planning process. But a major contributory factor is also the failure of management in the industry itself. The late Mohan Kumaramangalam tried to refurbish the management of the industry through the fancy device of a steel holding company. The manner in which this arrangement was conceived and hurriedly foisted on the industry has not, however, served the purpose for which it was intended. On the contrary, the SAIL experiment has aggravated the management problems of the industry. I is now fairly widely recognised that the structure of SAIL will have to be significantly, even drastically, changed.

The new Steel Minister, Chandrajit Yadav, has been able to persuade the SAIL chief, Wadud Khan, with great difficulty to initiate a comprehensive review of the functioning of SAIL since its formation in 1973. Wadud Khan was at first reluctant to do so and then insisted that the review would be an exclusively internal affair of the SAIL Board. Subsequently, he agreed to associate the Steel Ministry with the review. This does not amount to much since he heads the Ministry as well. What the outcome of such a review will be it is difficult to judge at this stage. But it could be the beginning of serious rethinking on the management and related problems of the steel industry and, if conducted in the right way and in the right spirit, might result in some worthwhile corrective action which is urgently required.

The tensions and frustrations in the management structure of the steel industry have been talked about in whispers for a long time. The SAIL chief had managed to establish a fairly effective system for smothering dissent and maintaining tight control. By resigning, Tulpule has rendered a distinct service in calling all this into question. Tulpule's main charge against the SAIL leadership is that it attempted to concentrate all power in its hands and constantly interfered in the day-to-day working of the plants with a view not so much to helping them as to demoralising the plant-level management and making it ineffective. Tulpule may not have said it in so many words but he clearly implies it — and others say so explicitly but in private — that the manner in which SAIL has worked is very similar to the style of the worst and the most 'immoral' managements in the private sector, but with none of the advantages that the private sector is able to derive from such management.

Several weeks before Tulpule resigned he wrote a long letter to the Chairman of SAIL who concurrently holds the portfolio of Steel Secretary also. In this letter he listed all the grievances and criticisms that he has subsequently stated publicly. He said that, in the light of all this, he found he was no longer effective as General Manager of a problem plant such as DSP. He, therefore, wanted to resign. There was no response to this letter. Finally, when Tulpule was in Bombay he received a teleprinter message that he was wanted in Delhi for discussions with the SAIL Chairman and the Steel Minister. He presumed that he had been called for a discussion on his letter. But when he reached Delhi he was brushed off and neither the Chairman nor the Minister cared to meet him. The Minister, it is now learnt, was not to be blamed for this since he never knew that the SAIL Chairman had called Tulpule to Delhi to meet him. All manner of explanations for this fiasco have been subsequently given by SAIL spokesmen, but they are designed to merely cover up things.

Such waywardness on the part of the high-ups in SAIL and the Steel Ministry is all too common. Peremptory summons, oral instructions and careful avoidance of putting anything down in writing, keeping people hanging around and insulting them — all these have become part of the normal functioning of the SAIL hierarchy. Two particular instances are worth mentioning in this connection. The first concerns the working of IISCO and the second the conduct of wage negotiations.

IISCO has made some progress under its present management headed by the HSL Chairman, Hiten Bhaya. This seems to have disturbed some high-ups in Delhi. So instructions went forth that a standing committee of the IISCO Board be created and that this committee meet every week to review the working of the plant. This was clearly a move to hamstring the IISCO management and was recognised for what it was even by the Steel Minister who ruled out the idea. The interesting point, however, is that though formally ruled out in the files, the idea is very much operative — on oral instructions from SAIL headquarters.

The developments regarding wage negotiations have been even more fishy. No preparations were made in time by the SAIL headquarters for the negotiations. The initiative was then taken by HSL and the plant level managements, among them most prominently by the then DSP General Manager, Tulpule, who prepared an internal draft on the position that the management should take at the opening of the negotiations and the area of bargaining that could be worked upon. This was duly made available to SAIL headquarters. Instead of appreciating the home work that had been put in on preparing what is a must for any management entering into serious negotiations, SAIL frowned upon the whole effort. Meanwhile, the draft mysteriously fell into the hands of some union leaders to foal things up further. This is indeed a fit case for a quiet investigation. No wonder that the wage negotiations are not proceeding very well. The Directorate of Personnel in SAIL has earned considerable notoriety for its manner of functioning and, instead of being helpful to plant managements who have to deal directly

with the workers, has actually contributed to worsening industrial relations in the steel industry.

The objectionable manner of functioning of the SAIL management is further highlighted by yet another incident. This took place at the level of the SAIL board itself and concerns the meeting of the reconstituted board in April last. Here one need not go into the composition of the new board with the preponderance of bureaucrats and personalities from the private sector who really deserve no place in the board. The incident in question concerns the Vizag and Vijayanagram steel plants which have become a big embarrassment for the government as well as SAIL. The government is politically committed to building these plants. On the other hand, there are the questions about the economic viability of the plants and their cost. When the issue was discussed the SAIL board took the clear-cut position that it was not possible to go ahead with their construction at this stage. But in view of the political commitment, it was agreed that a proper assessment of steel demand and a study of the product-mix of the two plants be undertaken. It was also made clear that SAIL would go solely by techno-economic considerations. If the government desired that certain overriding political considerations must prevail it could have its way, but in that case it must give a clear directive to the SAIL board.

Between the taking of these decisions and the next meeting of the SAIL board, the government announced in Parliament that SAIL had commissioned the drawing up of detailed project reports for the two plants. If this was considered a political necessity, the government had every right to direct the SAIL board accordingly. But it did nothing of the kind. What was done was extraordinary — the minutes of the board meeting had been quietly doctored and the doctored minutes were presented in a routine manner for adoption at the next meeting. This was, however, noticed and strongly objected to.

Another interesting point noticed in this episode was the attempt of Wadud Khan to act in the SAIL board as Secretary to the Steel Ministry rather than as Chairman of the board and to give oral directives on behalf of the government on a policy matter. This was an attempt to get over the difficulty caused by SAIL acting contrary to the decision of its board on the southern steel plants. This has served to further emphasise the falseness of the present position of the same person concurrently holding the office of SAIL Chairman and Steel Secretary.

In the light of all this and the experience of the working of SAIL, the restructuring of Hindustan Steel, now in the final stages and expected to be completed in the coming three months, requires to be reconsidered. The break-up of HSL, in the manner envisaged by SAIL and projected in the paper drawn up by the Steel Ministry for Cabinet approval, is not likely to achieve any useful purpose in the prevailing conditions. The idea is to separate the Bhilai and Rourkela steel plants from HSL and to convert them into separate companies. The residual HSL will manage the Durgapur steel plant and the Durgapur special steels plant. It will thus be saddled with the responsibility of not only managing the two problem plants in the steel industry but will also be left with the accumulated losses of HSL. Even if some of the losses are written off and other financial arrangements are made to improve the truncated HSL's viability, the arrangement is not likely to be workable. Meanwhile, SAIL will remain a bloated monolith and is most unlikely to be more efficient or to function more smoothly than in the past. From the fiscal point of view also, the problem will be aggravated since the profits of Rourkela and Bhilai will not get set off in the overall HSL balance-sheet which will remain adverse for a long time to come. The profit-making plants will have to shoulder the responsibility of paying taxes and so the generation of internal surpluses within the steel industry will suffer.

In the light of all this it may be useful to reopen the entire question, including the present structure and status of SAIL, the identity of the HSL and the management problems that have to be tackled before final decisions can be taken for evolving a more suitable and effective management and control structure for the steel industry.

SCHEDULED TRIBES

Failure of Placatory Measures

Sumanta Banerjee

THE tribal population of Andhra Pradesh, who had remained neglected for years, suddenly began to receive a lot of governmental attention after 1968-69, following the revolt of the Girijan tribals in the Agency area of Srikakulam. Evidently to forestall similar revolts among the Scheduled Tribes (who form about four per cent of Andhra's population) in other parts of the state, the government set up health centres and primary schools, declared as null and void debts of the tribals to unlicensed money-lenders, and opened a host of official credit societies to offer loans to the tribal peasants. The experiment with these placatory measures has however proved to be a dismal failure, highlighting again the limitations of a bureaucratic approach to the problem of the landless.

A recent survey conducted among a few representative groups of tribals by the Tribal Cultural Research and Training Institute of the Government of Andhra Pradesh admitted that the "literacy level of these groups has risen to a considerable extent", but pointed out at the same time that "their economic position is not at all encouraging as the gap between the per capita income of these tribal groups and the state per capita income is very wide". Quoting specific instances, the survey report said: "A Gond who tried and failed to get fertilisers from the block never tried again to secure fertilisers. Citing the examples of their kith and kin, who sold away their lands to repay the government loan of Rs 1,000 each taken to dig irrigation wells in a region where the Government itself has spent about Rs 70,000 vainly to dig a well..., Gonds feared to opt for a Government loan." Similar was the experience of another tribal group, the Valmikis, who were appointed temporarily in development schemes and later ousted, as a result of which, they "hesitate to accept any post or to give higher education to their children who after education and appointment may face the same difficulty". Yet another group, the food-gathering Chenchus "could not adapt themselves to the complex agricultural operations due to lack of necessary skill and guidance and most of them have abandoned their lands to become forest labourers".

But a collection of similar examples, which are legion, barely skims the surface of the problem. A deeper probe would reveal the continuation of a semi-feudal structure in the tribal areas of Andhra Pradesh, aided and abetted, deliberately or unwittingly, by the bureaucracy.

To begin with, the per capita income of almost all the tribals in the state varies from Rs 200 to Rs 250 per annum, against the state per capita income of a little over Rs 400. Because of increasing expenditure on food and other essential commodities, the majority of tribal families are indebted, and in spite of the existence of official credit institutions, their main source for borrowing are the non-tribal moneylenders in their villages, who are usually the petty grocers and alienators of tribal land.

Let us take the case of the Raj Gonds of Adilabad district — a tribe of settled plough cultivators, many of whom are owner cultivators as well as daily wage labourers on farms owned by others. The average indebtedness of a Raj Gond family is about Rs 400. Although there are Co-operative Credit Societies, Girijan Co-operative Corporation branches, Tribal Development Blocks and Taluk offices, among several other official bodies, in their villages, almost 80 per cent of the indebted families borrow from private moneylenders.

An inquiry into the reasons for this led to an interesting disclosure. Some years ago, the Special Deputy Collector of Adilabad had declared that the debts of the tribals to the unlicensed moneylenders were null and void. The local revenue officials, after serving these notices, were said to have informed the tribals that they would provide alternative credit in the absence of non-tribal moneylenders, and warned them of severe consequences if they had dealings with the unlicensed moneylenders.

The indebted tribals boycotted the village moneylenders and looked forward to getting loans from the numerous government agencies. But the latter followed the practice of lending of loans to only 'patta' (document showing the ownership right) holders. As inheritance of property in the patrilineal Gond society is on the male line, sons of the original patta-holders inherited their share of lands. But to get the lands transferred in their names legally, they had to pay the local 'patwari' Rs 300 or one buffalo, which price they could not afford to pay. As a result, these who inherited their share of lands from their parents but failed to get them transferred in their names, and many others whose ownership of land was socially, but not legally, accepted, were not eligible for government loans.

When the government agencies could not fulfil their promises, to meet their routine expenditure the disappointed Gonds had to return once again to their patron moneylenders, who this time retaliating against the tribals' 'temerity' in boycotting them, hitched up their rates of interest. In some places, the rates varied from 25 per cent to even 200 per cent.

Another form of traditional exploitation still continues in Adilabad. Cloth merchants charge 50 per cent interest when selling clothes on credit to the Gonds, and recover the loan and interest in instalments every year during harvesting. This is reminiscent of the situation in the Santhal Parganas in early nineteenth century when Bengali and Marwari merchants from the plains used to persuade the simple-minded Santhal peasants to buy luxury goods on credit, and later at harvest time forced them to pay off the loans along with interest. It is worth remembering that this was one of the factors that led to the Santhal uprising in 1855-57.

A peculiar system of barter economy has cropped up in some parts of the state. Gonds are seen exchanging bulls costing about Rs 500 for transistors whose worth would not exceed Rs 200 in the Indervelly market in Adilabad district. A Koya — member of another tribal community — will often exchange paddy worth about Rs 600 for a bicycle costing Rs 350 in the Koyyalagudem or Polavaram market of West Godavari district.

The bureaucratic approach — divorced from the masses of the tribals and dependent on the headmen — is also encouraging the growth of a privileged elite in some tribal communities. The Valmikis of Visakhapatnam district are a trading community. The more enterprising among them, thanks to their previous experience with government officials, managed to get loans simultaneously from the Girijan Co-operative Corporation branches, Co-operative Credit Societies and Tribal Development Blocks, who gave them loans without caring to find out the number of institutions from which they had already borrowed. Securing in this way loans in large amounts from more than one government source at low rates of interest, these Valmiki traders have been resorting to the business of lending money to the mass of poor members of their community, charging rates of interest as high as that charged by non-tribal moneylenders. Among the Valmikis, these people have become the main source of private credit replacing the traditional non-tribal moneylenders.

Because of the occasional hue and cry raised against bonded labour in tribal areas, government officials sometimes find it embarrassing to allow open practice of such labour in their blocks. As a result, landlords in some parts of Andhra Pradesh are replacing the 'gothi' (bonded labour) system with the 'jeetha' (attached labour) system. While in the former a tribal agricultural labourer had to work free in the farm of the landlord to pay off the debts borrowed years ago by his grandfather or great-grandfather as also the interest incurred over the years, in the latter system, while he receives wages for his work in the field, his young son would have to work free as long as the old debt and interest remain unpaid. The form has thus been slightly modified, the essence remaining the same.

In their social dealings with outsiders, the tribals of Andhra Pradesh still suffer from being discriminated against by outsiders. One of the reasons for the failure of government plans to spread primary education among the tribal children is this attitude. According to a government finding: "... in schools which are multi-ethnic in character, the poorly dressed tribal children are developing inferiority complex and fear resulting in absenteeism." ('Occupational Structure and Development Priorities of the Scheduled Tribes of Andhra Pradesh'. Government of Andhra Pradesh, 1973.)

The state government is meticulously conducting academic exercises on the problems of the tribals. Surveys are being undertaken, reports are being drafted, research projects are being financed. Long questionnaires are being distributed among the tired tribals to find out their development priorities. But the hard-headed tribals are developing a cynical attitude to all these exercises. Having long ago given up hope of getting and maintaining the first most important item in the list of development priorities — a plot of land — a tribal peasant suggested to a visiting team of government surveyors: "Ask the government to send me a stock of chickens!" When asked why, he pleaded: "What can I do? Everytime a government official comes to my village, he orders 'Murgi lao!' (bring a chicken)."

Tamil Nadu's Uncertainties

Mohit Sen

THE alignment of political forces in Tamil Nadu continues to be in a state of suspense and is surrounded by uncertainty. This became very obvious in the course of JP's visit to the state which was part of his somewhat ill-starred tour of southern India.

Indeed, JP's chief supporter in this state turned out to be the DMK. And that was a double misfortune for him. How could anyone in the state reconcile the Loknayak's grand crusade against corruption with the enthusiasm shown for his cause by Karunanidhi. DMK is perhaps the most corrupt administration in the entire country. Secondly, JP's cause became even less convincing as his talk of 'total revolution' totally ceased in case the state government happened to be simply anti-Indira! Yet Tamil Nadu does need a cleansing revolution quite as much as anywhere else in the country. For are there no landlords and no monopolists here? No poverty and no injustice, and no seething frustration? Thus, even those who had, out of their anger and their inexperience, accepted his millenial call were completely taken aback by the ease with which JP embraced the Establishment in Tamil Nadu.

And the brazen dishonesty of it all made matters worse. When he was asked why he exempted the Tamil Nadu Assembly from the demand for dissolution he had been so boldly raising elsewhere, the pat reply was that Karunanidhi was both responsive and likely to be introspective! Naturally, after this kind of performance, there could be no question of any popular and spontaneous welcome from the students, or any other section of the youth.

A further complication which resulted from the embracing of the DMK was the estrangement from Kamaraj. JP's grand design for Tamil Nadu was the building of an alliance, starting with the DMK, going on to Kamaraj and ending up with the CP(M). However, the strategy that the Congress(O) leader has been following all this time has been the contrary one, of insisting on his party being the real and the only alternative to the DMK. As a matter of fact, his criticism of the ADMK hitherto has been that it is scarcely better than the DMK and, therefore, cannot be an alternative to it. It was on this basis that, towards the middle of last year, some kind of alliance was arranged between the ruling Congress and his party — culminating in the electoral agreement in Pondicherry and Coimbatore. This alliance did not result in the kind of resounding victory that was expected, and the first successes of the JP-led movement precipitated a reconsideration on both sides. For a time, it looked as if Kamaraj would not only take an active part in attempting to build up this movement in Tamil Nadu but that he would initiate steps to get it going also in Andhra with the help of Sanjeeva Reddy who has always been politically close to him. Now, the downward trend in JP's fortunes and his closeness with the DMK has made Kamaraj reconsider matters once again. It is not quite clear what he will eventually decide; but his very indecisiveness has had an adverse impact on the fortunes of the modified 'total revolution' in Tamil Nadu.

Meanwhile, the other constellation of forces — essentially based on the understanding reached between the ADMK and the CPI — has gone on steadily consolidating itself. In contrast to the earlier period of spectacular meetings and marches, what is now taking place is the development of this understanding on the basis of what appear to be 'quieter' actions on mass issues. At the same time, however, the leader of the ADMK, M G Ramachandran, has had no hesitation in working with and, indeed, doing a great deal to build up, the democratic opposition pitted against the JP-led movement which in Tamil Nadu scarcely extends beyond the periphery of the DMK. The commitment to this democratic position, with its obvious all-India connotations and combined with actions on issues affecting the masses, adds a programmatic content to the ADMK. It is now taking a shape and a character somewhat different from the initial elemental protest against DMK corruption and high-handedness that it represented at the start. It would, of course, be premature to state that the ADMK has already attained full or stable articulations, but the trend is clearly visible.

In many ways, two parties in the state share a common discomfort. These are the Congress and the CP(M). The former has agreed to work with the ADMK and the CPI in the movements and campaigns against the JP-led movement. The youth wing of the party has been particularly active in this respect. But it cannot be said that this, somewhat conglomerate, organisation has fully made up its mind as to where it would anchor itself. Important sections belonging to it certainly look wistfully in the direction of Kamaraj. While they would like nothing better than to have him in the front as well, they might face the threat of a choice between him and themselves.

The CP(M) is also in a mess. While there is no question of its having anything to do with the ADMK-CPI alliance, it is also finding it difficult to tag along behind the Loknayak because of his open espousal of the DMK, and because of the equivocation of Kamaraj. In Tamil Nadu, the only viable alliance for them would be coming together with the Congress(O) and the DMK. To bring this alliance about, the catalytic agent would be JP. Therefore, the CP(M) in Tamil Nadu should go all out to build up the JP movement whatever may have been the initial failure. But the cadres and ranks of the CP(M) have not all taken kindly to this logic. After all, when they had split from the CPI, it was in the conviction that only such a step would enable them to better and quicken the move towards the goal of revolution. This certainly they cannot convince themselves is possible in the company that has clustered around, and virtually taken over, the JP movement in this state. The fortunes of the CP(M), therefore, hinge around the stand that Kamaraj would take. If he decides to go along with the Congress, the CP(M) would be in a position of total and disastrous isolation.

All these political jostling is taking place against the background of drought conditions, the like of which Tamil Nadu has scarcely witnessed in living memory. Close on half the population is in the grip of acute famine and hundreds of people have already died. The failure of the monsoon has been compounded by the failure of the government to procure a sizeable quantity of the 'kuruvai' crop and to build up an efficient public distribution system. The 'relief measures' undertaken by the DMK are an even greater mockery and misnomer than in other states. In the meantime lakhs lack food and water.

Smelling the Antlers of a Deer

G P D

THERE is a fourteenth-century Japanese adage that you should never put the new antlers of a deer to your nose and smell them. They have little insects that crawl into the nose and devour the brain. The moral is simple. There are some things which one should not attempt to do. But then some people so get used to "smelling the antlers of a deer" that they could not care less even if it were to devour their brains!

The Americans tried something similar in South-East Asia last week. A defeat in Indochina was probably not enough. Somewhere in the jungles of Indochina they seem to have smelled the antlers of a deer! How otherwise does one explain this utterly mindless act of sending a 'merchant' ship with a military cargo towards the coast of Cambodia? It led to the inevitable result. The Khmer Rouge captured the ship. President Ford landed eight thousand marines in Thailand. He sank three Cambodian boats. He embarrassed the Thai Premier by completely ignoring the Thai protests against the landing of American marines at the Utapao base.

Ford and Kissinger also seem to think that the world would believe their story that the Khmer Rouge government in Phnom Penh a month or so old, has suddenly grown so powerful that it would go out of its way to give offence to the Americans on the high seas. This is indeed funny because not very long ago during the Peublo crisis, when the North Koreans had captured the American ship, the official proclamations of victimisation of the American ship and crew on the high seas by a small Asian State had already been exposed. Neither were the Koreans then, nor are the Khmers today ten feet tall. Ford is adding insult to injury when he accuses a small, weak Asian state of piracy against the mightiest country in the world.

Once the charges of capturing the Mayaguez crew and ship on the high seas were made, the Americans followed the only course they know. They bombed the Cambodian mainland: first an attack on an airbase at Ream and then the strike against the fuel-storage at Kompong Som. Secretary Kissinger has claimed that this bombing "convinced the Khmer Rouge government to surrender the Mayaguez crew".

He is probably right. An infant state faced with the problems of rehabilitation and reconstruction can ill-afford a confrontation with the US. But Kissinger is wrong if he thinks that his bombing exercise has convinced the whole world that the Cambodians were in the wrong to have captured that ship. He has enough power to recover the ship. Unfortunately, American foreign policy has lost enough credibility in the last thirty years for nobody to trust Kissinger when he says that Mayaguez was on the high seas. Very probably it was not. That is Kissinger's problem and once again the bombing has not solved it.

The Indochina defeat is taking its toil. True, as Kissinger put it, America can surely defend its interests. It can scarcely defend its prestige. Its word carries little weight. Its bombs, however, do. Kissinger, therefore, seems to have come to the only conclusion possible in the circumstances. Bomb your way around. Get as much as you can. If you get beaten in the process, as in Vietnam, beat the most unceremonious retreat in human history. The beauty of the American system is that Kissinger gets kudos even for that! Or so the former Harvard professor thinks.

Not Kissinger Alone

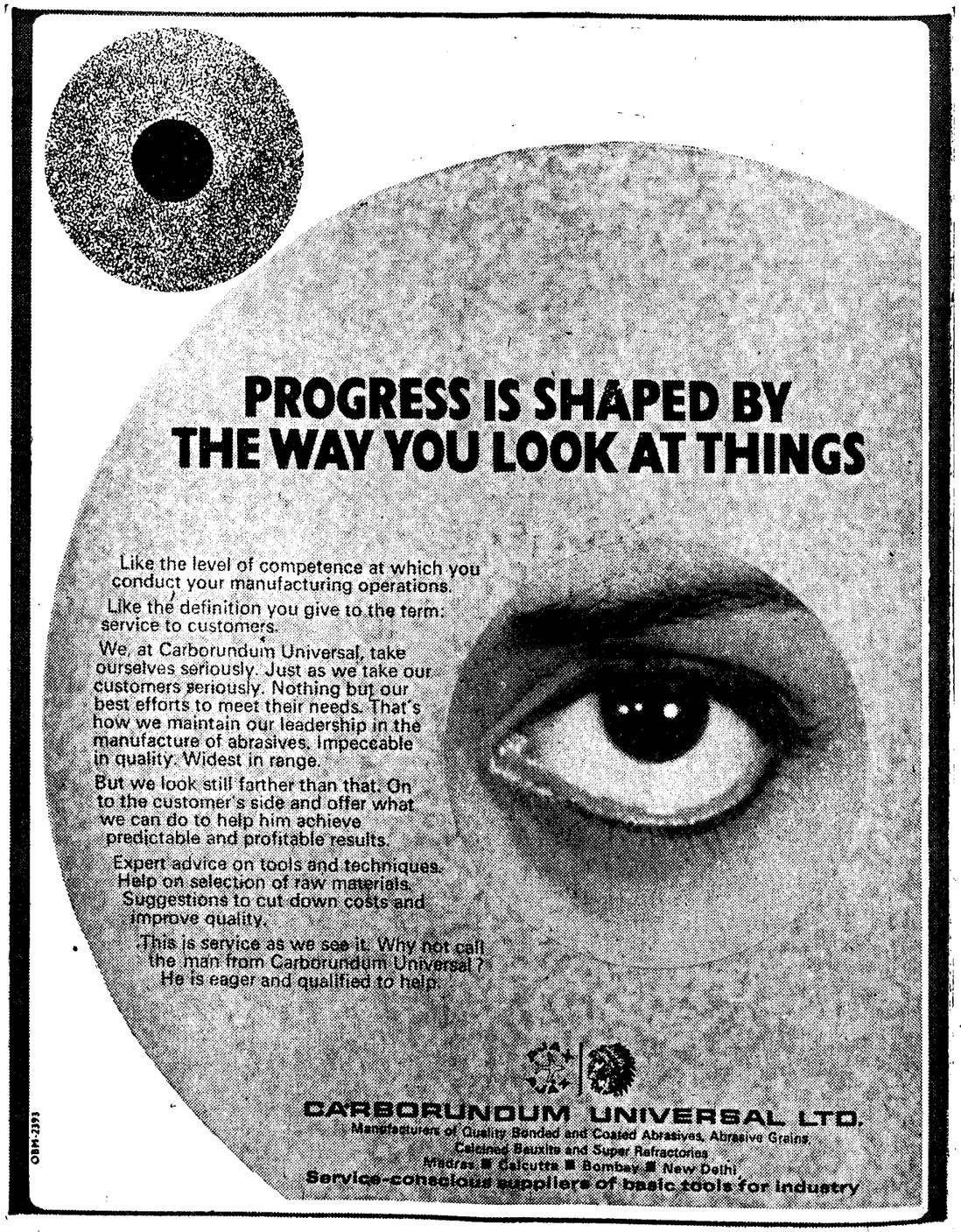
But then it is not Kissinger alone. Defence Secretary James Schlesinger has put the matter straight. He said that the US might "go for the heart of the opponent's power" — in other words "destroy his military forces". Clearly, James Schlesinger has learnt very little about the "heart of the opponent's power" from Vietnam. The trouble with the US is that it has consistently refused to see that its opponents in Indochina have not fought with military forces alone. Military forces are not the heart of their power. Twenty years of war in Indochina and nearly a hundred and fifty thousand American dead have not taught the Americans the most obvious political fact of Indochina. The heart of the opponents' power lay in the politics of a liberation war which is the politics of the masses as against the politics of the military-industrial complex with which Schlesinger and Kissinger and their like seem to be familiar.

To be fair to Schlesinger, it must be said that not being an academic he lacks Kissinger's Brahmanical skill in concealing his confusion behind a facade of well-drafted speeches and models. The confusion, therefore, does come out rather vividly in his recorded interview. He seems to have been faintly aware now that what the Americans had been fighting in Vietnam was not a war against aggression. The rest of the world already knows that. But for people who have smelled the deer's antlers in South-East Asia the realisation is still not too late!

Schlesinger said that "the main point is that the US forces" do "far better under situations in which there is an unambiguous assault, an unprovoked aggression, an attack across a line of demarcation, than it does under conditions such as those which existed in Vietnam". So there was no aggression across the line of demarcation in Vietnam. James Schlesinger has at long last seen the light or has very nearly done so. There is in this statement a very reluctant admission that the FLN, which the Americans and their successive client-governments fought in Vietnam, was not an aggressive force sent down south by Hanoi across the seventeenth parallel. The phenomenon that successive American administrations faced in South Vietnam was, in Schlesinger's view, "an internal turmoil".

Better late than never. At long last Schlesinger has, however reluctantly, taken courage in both hands to say something which the rest of the world knew to be the truth all along. It's a sad commentary on the American system that a bloody war and a hundred and fifty thousand casaulties should have been necessary before the American policy-makers could reluctantly admit the truth. What is worse is that even to go through this exercise, they had to engineer an incident in the gulf of Thailand, manufacture a not-very-glorious victory over the infant government of barely seven million Khmers!

In short, James Schlesinger and Henry Kssinger should remember, the US forces would do will not to get mixed up with a liberation war. That's the heart of the matter.



New US Strategy in Asia

Harish Chandola

A MISTAKEN impression is gaining ground that the United States is withdrawing from Asia and will henceforth not be interfering or intervening in the affairs of the countries of this continent. If one is not too naive and does not believe that the US interference and intervention was to protect freedom and democracy, etc, then one will see that wherever the US stepped in directly or indirectly, whether in Latin America or Asia, it was always to protect its own interests: the interests of its investors turning in a quick dollar by exploiting the plentiful local natural resources and very cheap local labour or of its monopolies grabbing riches at low prices.

It is well known that the US cannot maintain its high standard of living without the additional primary produce and resources it obtains from other countries. One clear example is oil. After the rise in oil prices two years ago, prices of almost everything went up in the US and consumption declined drastically. The biggest US industry, the automobile industry, had to cut its production, resulting in lay-offs, unemployment, and all kinds of social problems, placing US society under severe stress.

Similarly, should the prices of most minerals, materials and primary products the US obtains from outside increase — even if this increase should be only to offset the rise in prices of processed materials and industrial goods the raw-material exporting countries import from the US and other Western nations — there would be another crisis within the highly consumption-oriented society there. Pressures would develop in the US to intervene to ensure assured supplies of the primary products, etc, for the US and if possible even to force down their prices.

Rich in Resources

Asia, particularly southeast Asia from which the US is supposed to be withdrawing following its defeats in Indochina, is very rich in resources. Only four out of the five countries which form the Association of South East Asian Nations (ASEAN), namely Indonesia, Malaysia, the Philippines and Thailand, produce 85 per cent of the world's natural rubber, 98 per cent of its abaca fibre, 84 per cent of its coconut products, 60 per cent of tin and copra, about 60 per cent of its hardwood timber and spices and one-fifth of its pineapples. They also handle 60 per cent of the international trade in rice.

Last year, these countries (mainly Indonesia and Malaysia) produced 87 million metric tons of crude oil. Their oil and natural gas reserves are at the moment estimated at 18 billion barrels of oil and eight trillion cubic feet of gas. The production of Indochina, rich in rice and limestones and with substantial deposits of offshore oil, is not included in the above figures. Vast reserves of copper and oil have been discovered in Indonesian West Irian (New Guinea) and work has already begun on exploiting them.

Still a Pacific Power

The US is not going to give up obtaining a share of these riches by withdrawing from this part of Asia. It is not going to withdraw its military presence from this continent. Even after its defeats in Indochina, it still has 182,000 military personnel, 850 combat aircraft and 56 warships stationed in its bases ringing the Asian continent. Just after the liberation of Saigon, a high-ranking US State Department official had this to say: "The US is still a Pacific power, and we must demonstrate this."

It has however changed its strategy. It is not going to station troops on the Asian mainland. It is going to maintain its strategic bases and military presence in islands around the Asian mainland, like Japan, Taiwan, the Philippines, Guam, Australia and New Zealand and Diego Garcia. Its military presence is going to consist of a large and highly-mobile naval force and marines to launch amphibious assaults wherever it wants to intervene. A minor display of this tactics was made in Cambodia in May over the Mayaguez affair.

The main concern of the US at the moment seems to be to guard the oil routes leading out of the Persian Gulf to both the west and east. The US leaders, from President Ford down, have made no secret of their intention to intervene militarily in Arab countries should they impose another oil embargo on the US as a result of a fresh outbreak of fighting in the Middle East. It will be in a situation like that that the US will bring into full play the power of its highly mobile new navy and its amphibious marine force, which is now being trained in establishing beach-heads quickly.

Strategy Changed

The US has also changed its strategy of establishing big supply bases for long-term wars on the Asian mainland. Its experience has been that often the Asian people on whose land it established its bases turned hostile to the US and hindered it from utilising those bases for carrying out its Asian war. One example was Okinawa where the Japanese workers refused to allow B-52 bombers from the US Air Force base at Kadena to bomb Indochina. Even the Philippines, one of the closest allies of the US, hesitated in allowing the US to use its Clark Air Force base for the direct bombing of Indochina. The US would therefore no longer build on Asian mainland large bases like Cam Ranh Bay, which was established for not only conducting the war in Indochina but for any future war the US might have to conduct anywhere else in Asia.

Not too far away from the Asian mainland, the US has colonised a number of islands in Micronesia (nearly 60 per cent of Micronesia is now under US administration). It was from the 30-mile long island of Guam, a US colony since 1898, that most of the bombing of Indochina was carried out. Over 150 B-52s used to take off daily from Guam on a 12-hour round-trip to bomb Indochina.

Earlier it was thought that Micronesia was too far away from Asia to take part in a war there, but the daily bombing raids conducted from Guam changed that view. Since then the strategic importance of Guam and other islands in Micronesia has increased immensely for future wars in Asia. Guam, where almost 100,000 Vietnamese frightened into fleeing their country were taken in May, has now become the master communication centre of the US in the pacific for handling all military messages from Japan, the Philippines

and Australia and, until this month, Indochina. It now has at least four H-bomb storage depots, including a Polaris submarine base.

Another island, Tinian, 100 miles to the north of Guam, from where US planes had taken off to drop atomic bombs on Hiroshima and Nagasaki, is being turned into a forward supply base, ammunition storage depot and a marine amphibious training site. On another island, Palau, only 400 miles from Indonesia and the Philippines, the US is now building a marine guerilla-warfare base and other naval facilities. Along with disclosing plans for a US $ 29 million expansion of its base on Diego Garcia, the US has also announced that it would spend $ 300 million to turn Tinian into a military base housing up to 13,000 troops.

These new bases in Micronesia along with the old ones in Japan, the Philippines, Australia (Northwest Cape), New Zealand and Diego Garcia, equipped with sophisticated electronic surveillance devices and supply depots in Tinian and Guam, the US hopes, will enable it to intervene anywhere in Asia.

The means the US plans to utilise for intervention are going to be a highly-mobile new naval force consisting of marine-carrying troops assault ships and high-speed surface-effects ships, now being tested.

The US is already conducting exercises in Western Pacific for launching assaults with amphibious troops. The first assault-practice was made on Tinian by Marines from Okinawa's Third Division recently, code-named "Quick Jab". And before the practice could be perfected, an actual marine assault supported with naval strength was made on Cambodia under the pretext of rescuing the "Mayaguez" in the middle of May. It will not be a surprise if the US seeks out another Asian country to try out its new strategy and tactics.

Worried Regimes

Regimes in Southeast Asia are greatly disturbed and worried over the major changes that have occurred in Indochina following the sweeping victories of the National United Front of Kampuchea in Cambodia and the Liberation Armed Forces in South Vietnam.

The Foreign Ministers of the Association of Southeast Asian Nations (ASEAN) met in Kuala Lumpur from May 13 to 15 to review the new situation in their region and consider the impact of changes in Indochina on their countries. They even tried to lay down guidelines for evolving a common policy towards the Indochina states and a common approach to problems they might have to face as a result of the emergence of new regimes in their neighbourhood. But a common policy on these issues could not be evolved.

During the Commonwealth Heads of Government conference in Jamaica, the Prime Ministers of Malaysia and Singapore made public statements expressing fears that some of the $ 5,000 million worth of arms and equipment captured by the liberation forces in South Vietnam might soon start finding its way to insurgent forces in Malaysia and other countries of the region in aid of armed struggles in them.

Serious Insurgency Problems

It is a fact that almost all countries of southeast Asia, including Burma, face serious insurgency problems which are most likely to continue until social, economic and political changes occur in them. The insurgent forces which are often led by communist parties are bound to receive great encouragement from the victories in Indochina. But their own success will depend entirely on their own ingenuity in obtaining the support of their people and organising them into effective movements and the ability of their leaders to charter correct paths for their movements. Those among them who would depend on the new strength of the Indochina countries would again find that movements relying on others never succeed in the long run.

Though, in the words of the Vietnam Workers' Party, Vietnam has now emerged as a forward post of socialism in Asia and the world, it is most unlikely that it will start interfering in the affairs of its neighbours. There are three reasons for that. First, both zones of Vietnam will require the entire effects of their people and all their resources to regenerate agriculture destroyed during the past twenty years of war, rebuild the zones and develop their economy. Secondly, Vietnam itself has waged a very long war against outside interference and domination and from this war the lesson one learns is that foreign interference and domination cause violent reaction against the power or force that interferes and dominates. Having itself reacted very strongly against such outside forces, Vietnam would not want to become a disliked neighbour by doing the same things against which it had itself fought. Thirdly, Vietnam, again from its own experience, knows very well that no party or movement can lead a struggle on the basis of the strength of others.

Help to Revolutionary Movements

Having said this one must add that the various movements for change in southeast Asian countries are in the long run automatically going to gain strength from the close proximity of a strong, socialist Vietnam when its two zones reunite and also from a strong, socialist Cambodia. After all it is a fact that the close proximity of a strong socialist Soviet Union was of great help to the struggle in China and the emergence of a strong socialist China did greatly benefit the struggles of the Indochinese peoples. It therefore goes without saying that a strong socialist Vietnam next door will be of great help to movements in neighbouring countries provided those movements possess their own inherent strength.

Many countries of southeast Asia are today ruled by feudal elements or military leaderships which have not succeeded in preventing foreign interests from exploiting their peoples as a source of cheap labour and robbing them of their resources. This has caused adverse reactions among their peoples who are now being encouraged to join old anti-colonialist, anti-fascist and anti-imperialist movements that have existed in them right from the time of colonial rule and the short-lived but cruel Japanese conquest.

It has therefore to be seen what changes leaders of Southeast Asia bring in their countries to meet popular demands for social justice and freedom from domination and exploitation. If changes do not occur fast enough the people are bound to express their dissatisfaction and the strength of their movements is bound to increase. In the event of strong movements occurring in this region the close proximity of strong socialist Indochinese nations like Vietnam and Cambodia will be of great importance.

Socialism for Twenty-Two Families

H K P

Industrial Concentration and Economic Power in Pakistan by Lawrence J White; Princeton University Press, Princeton, 1974, New Jersey; pp xii + 212.

ONE of the by-products of the activities of American universities and Foundations in various developing countries has been that studies on aspects of these countries' economies which might otherwise have remained unexplored have become available. It is true that, if studies on the same subject by competent local economists were available, they might possibly have more depth and understanding of local problems and institutions which foreign students are not likely to acquire within the short period of their acquaintance with these countries. But since prominent economists in many developing countries work either for government or for international institutions, they are usually not free to write frank appraisals and analyses on the more controversial aspects of their economies. The only studies on such subjects that become available are those by foreign visitors. The present study on the concentration of economic power in Pakistan's industrial sector belongs to this category, and is therefore welcome as a net addition to the not-very-extensive literature on this subject.

The methodology used in the study is based largely on a familiar approach. The distinction between 'industrial concentration' and 'concentration of economic power' is similar to the distinction between what the Monopolies Inquiry Commission had called 'product monopoly' and 'country monopoly'. Regarding concentration of industrial economic power, the analysis is based on the book-value of the total assets of the firms controlled by particular groups—a measure very similar to that used by the MIC as well as under the MRTP Act. The author goes into the question, why this is a better basis than other possible alternatives, and finds that — both on the ground of convenience and logic — this is a useful basis to examine concentration.

The author finds, somewhat surprisingly, that foreign ownership and control of manufacturing assets in Pakistan is low by international comparison. As against 12.2 per cent of the manufacturing assets of Pakistan being accounted for by foreign firms, the percentage in many other developing as well as developed countries is much higher. One reason for this is that the number of foreign firms, which continue to operate in Pakistan from the pre-partition days, is small; and these are mainly concentrated in cigarettes, tea, and edible oils. Pakistan has also pursued a policy of discrimination between foreign and local firms in the matter of entry into different industries. The result appears to be that foreign firms have not developed very fast as compared with the total industrial development of Pakistan.

On the basis of his analysis, the author comes to the conclusion that the largest four families and organisations control over 13 per cent of *industrial* assets and 16 per cent of *all* assets of privately controlled firms in Pakistan; similar figures for the largest 10 are 24 and 29, for the largest 20, 34 and 42, for the largest 30, 39 and 48, and for the 50 leading families and organisations, 47 and 58. Comparing his estimate with an estimate prepared by G F Papanec in 1959, it appears that "there was virtually no decline in overall concentration during the 1960s".

The author also points out, on the basis of a comparison with the estimates made by R K Hazari for India, "that the shares controlled by the leading four groups are about the same in Pakistan and India, but Pakistan's concentration is considerably greater when the largest 13 and 20 groups are considered." This comparison is based on Hazari's estimates for 1958. A comparison with the data of the MIC suggests that the above conclusion continued to be valid for 1963-64. After giving concentration ratios for some other countries, the author examines the hypothesis that "overall economic concentration could be inversely related to the absolute size of a country's industrial sector." He points out that "this would be true only if all three of the following propositions were true for all countries: (1) the technological dictates of the size of firm (by industry) are the same; (2) the percentage distribution of industries is the same; and (3) the rules and laws on mergers and multi-company control are the same." As none of these three is generally true, the hypothesised relationship need not hold. In a country like Pakistan, where capital is far more scarce than labour, the technological basis of industrialisation might be different. If such a more rational technological basis for industry had been adopted, and the allocation of scarce resources, such as foreign exchange was made in a less restrictive manner, the level of overall concentration might have been considerably less. A given corporate concentration level in a country like the United States has a less severe effect on the distribution of income and wealth than would be true for a country like Pakistan, because the share-ownership of US corporations is far more widely dispersed as compared to that of the Pakistani companies.

The author goes on to point out how the same families, who control a very large share of industry, also control banking. He gives some evidence that the 'family banks' tend to favour the industrial companies owned by the same families. Insurance shows a similar picture, and "the portfolios of (the) industrial family-controlled insurance companies tended to favour companies controlled by the same groups". An interesting point made by the author is that the insurance companies' investments "seem to have been less oriented towards gaining control of industrial companies and more toward providing a ready market for some of the family's shares when the family wishes to sell some of its shares without depressing the price of the shares of its companies."

In Pakistan, only at the end of 1970 did the Central Government promulgate an Ordinance forbidding the insurance companies from making investments in companies in which the directors of the insurance companies had an interest — except with the prior approval of the Central Government.

The other interesting data provided by the author on this subject concern the interlocking directorates and the collusion among the top families who form alliances through various means.

In his analysis of concentration by individual products, the author faces various conceptual and methodological problems which arise in any such effort. The discussion on the concept of capacity — whether 'operating', 'installed', or 'installed and sanctioned' — is relevant, and is also quite familiar to Indian ears. The confusion arises not only about the concept but also about

whether the data provided by the different official sources are related to one or the other of these different approaches to capacity. The problems arising out of unreported production and producers — especially in industries where small units play a significant role — are familiar to us. On the other hand, in West Pakistan itself, transport costs could be neglected in the examination product monopoly. This could not be done for India.

Only in traditional industries, like cotton textiles, artificial silk textiles, wheat and rice milling, edible oils, and tanning, do the shares of the largest four families or groups fall below 33 per cent. There are large numbers of industries in which the concentration ratio is 100, and quite a number in which it exceeds 80. Product monopoly is enjoyed largely by the same groups or families who also control industry in terms of overall assets; thus "38 per cent of the value-added, of the sample, originated in the firms controlled by the 43 largest families and groups". For a number of industries in which comparison was attempted between Pakistan and the US, the author finds that in Pakistan there is greater concentration.

It is interesting that, when examining the origins of the growth of concentration of economic power in Pakistan, the author comes to conclusions very similar to those reached in Indian studies on the subject — including by the Mahalanobis Committee, the MIC and the Dutt Committee — *viz*, that the system of government regulations and licensing operates in a manner that helps to maintain and increase industrial concentration.

"The dominant position of the leading industrial families and groups", the author points out, "was related to their mastery of the licensing system." A compilation of the value of the licences issued to the companies controlled by the 43 largest families and groups indicates that these families received capital goods licences worth about 51 per cent of the total.

Moreover, members of the important families were frequently put on Boards, Corporations and government agencies which, in turn, had the power to influence government decisions on licences and quotas for the companies controlled by the families. An analysis of the composition of the Board of the Pakistan Industrial Credit and Investment Corporation, the agency responsible for sanctioning large-scale industrial projects, shows that out of the 21 men on the Board — leaving aside the non-Pakistanis representing donor countries, etc, and government representatives — there were 13 Pakistani private individuals, and that seven of these were members of the leading industrial families. "The firms controlled by the 7 families represented on the Board of Directors received 21 per cent of the PICIC sanctions." Only in May 1970, did the Central Government require PICIC to obtain prior approval from the Central Government before sanctioning a project of a company controlled by a director of the PICIC. One may recall, in this connection, the analysis given by the Dutt Committee about the working of our financial institutions — and especially the relationship between the composition of the Board of the ICICI and the loans sanctioned. The Pakistani policy of developing new industrial projects, through government corporations, and then selling them to the private sector was also probably another instrument which helped the dominance of the large industrial families.

The concentration of economic power has been complementary to the government policy of permitting, or even encouraging, various kinds of monopolistic and restrictive trade practices. The author points out that, till 1970, "open collusion, price-fixing, and other anti-competitive acts were not forbidden by Pakistani law". The result is that, even in the low concentration industries, there prevails considerable co-ordination of action by manufacturers through trade associations and other devices.

The Central Government also encouraged co-ordinated price-fixing by different industries in the hope that this would keep prices low and stable! "It rarely did." There are no restrictions forbidding interlocking directorates in the same industry. Competition among different units in an industry, was also restricted by the shortages of imported raw materials on which many new industries depend. The utilisation of capacity is very much related to the import of raw materials in such cases.

Analyses of available data, though scanty, suggest to the author a positive correlation between profit rates, industrial concentration, and stringency of import licences. The author finds that this is so even on the basis of the reported profit rates; and these are known to be much lower than the true profits. Tax exemptions, depreciation allowances, as well as the siphoning off of profits through various commissions, etc, result in the reported profits being much lower than the true profits in Pakistan — as in India, and as in most other countries. The restrictions on new capacity and the allocations of scarce resources, like capital and foreign exchange, help a few units to maintain a hold over certain industries. The authorities sanctioning new capacities do no appear to have given much thought to the existence of high profit rates in certain industries. Examining the data on patents, the author also concludes that little impact is to be seen of the concentration of economic power on the development of effective Research and Development or on technological change.

The author says that there is enough evidence to suggest that, economic power and political power operate as complementary to each other. The leading industrial families are not merely the positive recipients of the benefits of government policies; many also have an active hand in the formulation and administration of these policies. Members of these families have acted as Ministers and Ambassadors at different times. They work as Members of Committees and Commissions, advising government on policies and other measures. Besides being represented on the PICIC, leading families are also represented on State institutions — such as the State Bank of Pakistan, Pakistan Insurance Corporation, and the National Bank. The National Investment Trust — specially created to support new industrial development — has about half of its Directors drawn from the leading industrial families. There is an inevitable tendency, therefore, for these positions of power to be utilised to influence government policies and decisions in favour of the concerned business groups. Some specific instance of the exercise of such power mentioned by the author are interesting.

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These include the suppression of inconvenient reports and documents, as well as making sure that the measure attempted by the Ministry of Finance, in 1963 — to encourage wider ownership of existing companies through a tax on tightly held companies — was still-born. The author, very appropriately, points out that one cannot blame the entrepreneurial families for attempting to take advantage of the situation or of exploiting the rules of the game which favour them. "It was up to the people of Pakistan, through one means or another, to change the rules."

The result of the concentration of economic power, the author points out, is the very wide disparity in incomes and standards of living that prevails in Pakistan. The top few enjoy very high incomes indeed. "The top one two-thousandths of one per cent received incomes 1,600 times the average income in Pakistan." The author believes that this top-heavy income distribution had important consequences for the political complexion of Pakistan and on its taxation policy. With the example of the entrepreneurial plutocrats before them, the middle class strongly resisted all taxation, especially all direct taxation. The result is a tax structure with various exemptions which have a very familiar look — exemptions for interest and for dividends up to certain limits and from certain sources, exemption for rents from newly constructed residences, special allowances for vehicles, and so on. There were similar major exemptions in corporate taxes. In addition to all this, there was of course "widespread and generally acknowledged tax evasion".

The author's aim was "besides providing estimates to the extent of the concentration of industrial economic power in Pakistan, to offer a framework for understanding how and why such concentrations can arise and what their economic and non-economic effects are likely to be". While the study does provide very useful material about the concentration of economic power in Pakistan and the manner in which Pakistan's economy and, to some extent, the whole of Pakistani society is influenced by such concentration, one cannot say that his analysis regarding the interaction between the economic and non-economic effects is very deep and penetrating. Though he does succeed in giving some indications of how "the web of economic and political power becomes self-reinforcing", his analysis, confined as it is to economic phenomena, is unable to go into the further and deeper question mentioned by him, *viz*, why such concentrations arise and what their effects may be. The methodology adopted is of significant interest and would suggest lines for similar analysis to be carried out in other developing countries.

While he does not provide any material on it he suggests "that similar studies for other less developed countries would reveal the same broad picture, even though the individual details might be quite different".

As mentioned earlier, one of the aspects of Pakistan's economic and industrial life, as described by the author, which strikes an Indian reader, is the similarity between the developments both regarding industrial structure and industrial regulation in Pakistan — even though the magnitudes of the economy as well as the avowed ideological approaches of its rulers are so different from ours.

Or perhaps one should not be surprised! Mixed economies in most less developed countries tend to have similar aspects. There is much scope left for private enterprise, yet there is no *laissez faire*. There is neither competition nor full-scale planning. As a matter of fact, most policy-makers in the less developed countries — politicians or bureaucrats — think of unregulated competition as destructive and wasteful of economic resources. The author points this out while referring to Hazari's views on the subject. Unregulated monopolies are also considered undesirable, while monopolistic imperfections in the less developed countries' (LDCs) markets cannot be avoided. The natural way out is for Government to regulate economic affairs.

"That this course of action also heightens the power and importance of the bureaucracy [and also politicians if they control bureaucracy] is a non-trivial side effect." The ostensible basis of such an approach is that the State is neutral, or rather, that it is bound to operate *in favour of* the overall public interest or in the interest of the majority.

A little analysis of what actually happens in the LDCs speedily exposes that, in most cases, the State so operates as to satisfy the Marxist dictum of its being a Committee of the Ruling Class to guard its interest!

This need not mean that every action of the Government, and every exercise of the regulating power, is in the interest of the groups and families which control the levers of the economic system. Contradictions abound, not only among different industrial groups, but between the industrial and the agricultural vested interests, and between both of these and those who at a given moment wield political and bureaucratic power. What White shows regarding the close interconnection in Pakistan between the families controlling industries and the various governmental institutions would be found to be true in varying degrees also in the other LDCs. The result is that there is a normal tendency for the regulating powers to be used in such a manner as to serve the interests of those who control the economy.

One cannot but see many parallels in the developments in these countries. Occasionally, the Government might be forced to take steps to curb the pursuit of naked self-interest by the powers that be. This may happen as a result of the periodical application of 'democratic pressures', through elections (as in India) or it may happen as a result of much more serious upheavals (as in Pakistan). The result is legislative and administrative measures to curb the vested interests and to ensure that economic regulations operate genuinely in the public interest.

It is curious that the criticism of government powers being used mainly for the benefit of a few Houses or families was mounting both in Pakistan and in India during the sixties, and it was around the end of the decade that steps were taken in both countries to counteract these tendencies. The Ordinance for controlling Monopolies and Restrictive Trade Practices was promulgated in Pakistan in February 1970. It established a Monopoly Control Authority with jurisdiction over situations of 'undue economic power', monopoly power, and unreasonable restrictive trade practices. The provisions are broadly along the lines of British legislation which is also, to some extent, the basis on which the MRTP Act in India was formulated.

That there was much resistance within the Government to the genuine implementation of even a limited approach of this kind is indicated by the facts cited by the author. Though the Ordinance was promulgated in February 1970, the Members of the Monopoly Control Authority were not ap-

pointed till August 1971, and the Authority did not begin officially to exercise its power until January 1972. The author's study ends at this stage. He leaves it for a future study to see how far this change in the policy approach in Pakistan would prove to be effective in acting against concentration of economic power.

There are two questions which may be posed regarding such anti-monopoly effort by Governments in countries like India and Pakistan.

The first one is whether the assumption underlying such measures — that free competition can be ensured as far as possible — is either relevant or even really acceptable to the governments of these countries. The anti-trust legislation in the United States starts from the basic presumption that an economy based on competition is the only one that can lead to public good, and that any devices which restrict, distort, or hinder competition, need to be curbed and set aside.

The British legislation, on which the Indian and Pakistani legislations are patterned, takes a slightly modified approach — in that it is conceded that there could be some restrictions which might be in the public interest; but the onus of proving that they are in the public interest is on the parties who indulge in such practices! The basic approach still remains that a restriction on competition is normally to be deprecated and, therefore, abolished. It is not at all certain that the policy-makers, whether at the political or bureaucratic levels, in countries like India and Pakistan, realise and accept such an assumption. In both countries, a view has been taken by governmental authorities that modifications of competition, through economic regulation of different types, is desirable to channel economic forces into desirable directions. It may sometimes be called 'planning'; sometimes it may be called merely 'control in the public interest'. But the machanism of free competition is certainly not the doctrine that governs policy-makers in such countries. The result is that governments adopt various measures which cannot but support the creation and maintenance of oligopolistic tendencies in a number of industries. Regulation, through allotment of scarce resources, is common. Where there is no statutory, price control, informal price arrangements — worked out by a kind of self-regulation by industry, with government playing the role of a sympathetic observer — are quite common. This is obviously against the very spirit of the legislation regarding anti-competitive practices. One does not know to what extent the contradiction, between passing such legislation and supporting a kind of Corporate State based on self-regulation by industry, is consciously recognised by the policy-makers.

The second question is more fundamental. How long can any conflict between those who wield State power and those who control vital economic sectors, such as industry and agriculture, continue? Would there not be a normal tendency towards their forming an alliance, so as to provide mutual support and co-operation? Even if those who control State power may not all always be from the same class as those who control the industrial or agricultural sectors, can they for long continue to be different without a mutual accommodation being sought and an alliance formed? Even if, at a particular point of time, popular will expresses itself in some form and the composition of those who exercise State power changes, the conflict cannot continue for long.

All that might happen then is that the exercise of economic power may take somewhat different forms. Certain obvious inequities and glaring wrongs which have become the focus of public criticism may go. But unless some revolutionary changes in the structure of the economy and of society have been actually carried out during the conflict, radical slogans may soon lose their relevance and force; and, in an atmosphere of comparative calm, the alliance between those who wield State power and those who wield economic power may be resumed. From all accounts, this is what is happening in Pakistan after the attempt at Monopoly Control in 1970 and President Bhutto's moves against the 22 families in the initial years of his rule!

White points out how, since 1968, when monopoly and ownership concentration questions became serious political issues, attempts have been made to cover the tracks so that the concentration of economic power in the hands of a few families or groups may not remain so open and obvious.

This is very similar to what we observe in India where, after the reports of the MIC and the Dutt Committee, there has been a persistent effort to deny the existence of control over large industrial empires by business houses and groups. Not only do the larger Houses deny the existence of any concentration of economic power but the exercise of common control by various means is also sought to be carefully camouflaged. In effect, there is no change. The logic of the system continues to operate. What we get in the irresistable name of 'socialism' or State 'intervention' is what White, following Petras, calls 'socialism for the rich'.

One other point made by White needs mention. As he points out, through the major part of the 1960s, Pakistan was thought of by many economists and policy advisers in the United States to be a 'success story'; it should be added that many of their counterparts in India, though rather chary of openly praising Pakistan, hinted at Pakistan showing the way which India should emulate. Only when the cracks in the plastering suddenly appeared in 1969, and the economy as well as the politics of Pakistan came unstuck, did such persons realise that perhaps Pakistan's performance and policies had not been so good after all! We have today in the same circles abroad, and in India, persons who point to South Korea, Taiwan, and Singapore, as the glittering examples of success which trail a path for India to follow. For such people, perhaps, it is not easy to learn the simple adage that "all that glitters is not gold."

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Social Stratification in an Orissa Village

Jaganath Pathy

Capitalism in Indian agriculture has been examined by a number of Marxist scholars in recent years. This paper discusses the subject in the light of material from an Orissa village, collected during 1974-75 as part of a larger study of the political structure of the village.

The author begins by reviewing the main features of the different modes of production in agriculture, as formulated by various scholars. The material on the land and credit systems of the village under study is then discussed. Finally, the particular mode of production operative in the village is considered.

CAPITALISM in agriculture has been examined by a number of Marxist scholars in recent years.[1] Ashok Rudra and his colleagues led the way in India by approaching this issue with rich quantitative material, and concluded that capitalist farming had not appeared in Indian agriculture.[2] Their findings have provoked several others. Rudra has been attacked for being ahistorical, classifying farmers as capitalist and non-capitalist, instead of locating the trends in terms of capitalistic features.[3] Nevertheless, Rudra's findings do find considerable support in the literature.[4]

The present paper seeks to consider the above controversy in the light of material from an Orissa village, collected as part of a larger study of political structure, at both macro and micro levels, during 1974-75. Recognising the inadequacy of the village as a unit for analysing agrarian relations,[5] our analysis often extends beyond the village. Further, the data tend to be qualitative, precluding rigorous statistical operations.

We begin with the main features of the various modes of production in agriculture — as formulated by various scholars. Then follows the material on the land and credit system in the village. Finally, we consider the particular mode of production operative in the village.

Let us begin with the concept of feudalism. Feudalism refers to a historically conditioned *socio-economic* formation, wherein the production relations are based on the feudal lord's ownership of the means of production, primarily land. In this system "an obligation is laid on the producer by force and independently of his own volition to fulfil certain economic demands of an overlord, whether these demands take the form of services to be performed or of dues to be paid in money or kind".[6] And, the relation between the owners and the serfs is predominantly socio-political, and conceals the economic contradiction.[7]

With the breakdown of the self-sufficient subsistence economy and the growth of the commodity economy, feudal relations tend to change as they are replaced by the capitalist mode of production. During this transformation there may be a transitional phase,[8] which may be called semi-feudal or pre-capitalist. In this phase, the working population is exploited through land and lending. This is said to be the main feature of 'semi-feudalism'. Bhaduri writes:

> The semi-feudal landowner uses *two modes of exploitation* for extracting from the tenant — he exploits the tenant through his traditional property right on land as well as through usury and the *economic basis of semi-feudalism is the combined operation of these two modes of exploitation.*[9]

Elsewhere, in studying West Bengal villages, he narrates the main features of semi-feudal agriculture:

> ... the existing relations of production have more in common with classical feudalism of the master serf type than with industrial capitalism. The four prominent features of this type of agriculture are: (a) sharecropping, (b) perpetual indebtedness of the small tenants, (c) concentration of two modes of exploitation namely usuary and land ownership, in the hands of same economic class, (d) lack of accessibility for the small tenant to the market.[10]

Likewise, Bettelheim argues that, though in today's agriculture in India, the classic Marxian categories of feudalism do not apply, there is enough evidence to note the decline of feudalism, and the new situation may be called semi-feudalism:

> Typical of the situation is the absence of a labour market in a large part of the rural sector; the personal subservience of the immediate producer to the landowner; the excessive importance of land-rent; the underdeveloped marketing system, resulting in little social division of labour, a low rate of accumulation, and the use of produce mainly to satisfy immediate needs.[11]

By contrast, the emergence of capitalism in agriculture is marked by a shift to wage labour and simultaneous accumulation and reinvestment of the surplus.[12] For Rudra, a capitalist farmer will tend to (a) cultivate his land himself rather than lease it out; (b) use hired labour in much greater proportion than family labour; (c) use farm machinery; (d) market an important share of produce; and (e) organise his production to yield a high rate of return on his investments.[13] Besides, there will be increasing concentration of the means of production and thereby a development of the productive forces.[14] The agricultural wage labourers, too, will be increasingly free and unattached to the means of production.[15]

Having surveyed the different modes of production in agriculture — feudal, semi-feudal, and capitalist — we move now to the information collected from the Orissa village.

Talapatna — the village studied — is a settlement under Dharakota Panchayat Samiti, in the Ganjam district of Orissa. During the Mughal Period, the entire area of the Panchayat Samiti was in one of the 'Northern Sirkars'. Consequently, there developed a powerful Zamindari system here, underpinned by the law of primogeniture. In 1802-3, the Permanent Land Settlement Act was introduced in the area, entrusting the collection of revenue to the powerful Zamindar.[16]

Much later, in 1898, the village of Talapatna came into existence, founded by the Zamindar who provided agricultural and residential land to the settlers. These tenants were obliged to pay half the produce to the Zamindar besides providing various forms of unpaid labour (Bethi), upon demand by the Zamindar's family. All the inputs and the labour necessary in production were the responsibility of the tenants. A few settlers of the artisan castes were obliged to provide certain

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TABLE 1: DISTRIBUTION OF CASTES IN TALAPATNA (1900-1974)[18]

Local Castes (equivalents)	Number of Households in 1900	Number of Households in 1974
Brahmana (Brahmin)	1	0
Karan (*Kshatriya*)	3	2
Tanti (Weaver)	9	3
Gauda (Milkman)	5	5
Gudia (Sweetmaker)	0	1
Khandayat (Odiya)	6	5
Keota (*Fisherman*)	0	1
Dhoba (Washerman)	0	3
Khadal	50	52
Total	74	72

Source: Relevant records from the ex-officials of the Zamindar and interview with the village elders.

tools and products (such as home-made cloth), and to perform other services as required by the Zamindar. Still others were employed by the Zamindar for looking after cattle (9 households), gardening (2 households), watchman duties (3 households), and religious functions (1 household).

By the beginning of the century, there were 74 households in the village. Today, it has 320 people in 72 households. That is, the number of households has remained more or less unchanged. The population did grow, but meanwhile in the beginning of the 1950s — the time of the Orissa Estate Abolition Act of 1951[17] — several artisans and upper-caste households, who were employed by the Zamindar and had no land or very meagre land, left the village. On the other hand, the strength of the lower and exterior castes has shown rather an increase over the period (Table 1).

Initially, the land was with the Zamindar. But in course of time, whenever he was pleased with some settler, he used to give him Patta land (the land over which record of right exist). Accordingly, a few got land, but most did not. The total cultivated land in the village is 148 acres.

In 1974, the village had an average of 2 acres of cultivated land per family. But ownership is highly concentrated. Only 17 families (23.6 per cent) have their own land, totalling 56 acres. While of the remaining 92 acres of village land, the Zamindar owns 63 acres, his ex-manager (diwan) who lives in a village 25 miles away 25 acres, and a small merchant of another village 4 acres. The Zamindar had about 735 acres of land in 18 villages — out of which, to avoid the land laws, he transferred 300 acres to a temple which he had constructed in 1966. The diwan has 40 acres of land, including the land in Talapatna. We notice the distribution pattern to be very unequal. Only 7.4 per cent of the village land is left for 90.6 per cent of the households. Mention may be made that, in the calculation, we are not including the land owned by the three outside landowners from other villages — Table 2.

Though the pattern of land distribution broadly coincides with the caste hierarchy, there are exceptions too. While, among the 'high castes', 12 families are landless, among the 'low castes' 13 families do have land (Table 4).

At the same time, almost half of the unsurveyed cultivable land of the village remains waste under the categories of pasture, mango groves, cremation ground, and fear of the spirits. Recently, two owner-tenants cultivated 3 acres from an abandoned cremation ground, but the yield was unsatisfactory, so this year the cultivation of that ground has been discontinued.

In Talapatna, less than 10 acres, belonging to the Zamindar and lying close to the river, are irrigated; cultivation elsewhere depends on the rain. There are two types of dry land — paddy land and the other land (Padar) used for cultivating ragi, grams, pulses, etc. Besides, the backyard land (Bari) is used for seasonal vegetables, lettuces, etc. This type of land is attached to houses and is neither saleable separately from the house nor is rented. Hence we exclude bari land from our consideration.

In the village, a little more than 90 per cent of the cultivated land is used for paddy cultivation. And in the rest, crops like horsegram, red gram, til, mustard, etc, are harvested. However, a rough estimate suggests that the yield per acre of land is small, ranging between 300 and 400 kg of paddy (after deducting the seed).

CLASSES IN THE VILLAGE

In Talapatna, 70 households (91.3 per cent of the population) — including the Zamindar, his ex-manager, and the merchant — have agriculture as the main source of living. These may be grouped conveniently as follows:[19]

(1) Landlords:

Those who possess land, but do not engage in labour, and live exclusively by exploitation of the peasants, are here called landlords.

The village has three landlord families. The Zamindar popularly known as 'Raja Saheb', does not work in his field. Of his land, 63 acres are cultivated by 17 sharecroppers. The tenancy system is such that an aging tenant goes to the Zamindar and asks him to give the land to his son(s) for sharecropping. If the son is too young to undertake cultivation of the land, his father's brother or father's brother's son may cultivate it till the son(s) can do the job. This might suggest that the right to lease land is hereditary; however, in practice, the tenants can be evicted any time according to the whim of the Zamindar. Actually, within the past 15 years, two tenants were evicted and two others did not get the leased-in land because they had not attained maturity at the time of their father's death. The threat of eviction keeps the tenant loyal to the landowner on all issues — including electo-

TABLE 2: PATTERN OF LANDOWNERSHIP IN TALAPATNA

Land Category (in acres)	Households			Owned Acreage		
	Number	Per Cent	Cumulative Percentage	Acres	Per Cent	Cumulative Percentage
Landless	55	73.3	73.3	—	—	—
Upto ½	4	5.3	78.6	1.5	1.0	1.0
> ½ — 1	6	8.0	86.6	4.5	3.0	4.0
> 1 — 2	2	2.7	89.3	2.5	1.7	5.7
> 2 — 3	1	1.3	90.6	2.5	1.7	7.4
> 3 — 5	3	4.0	94.6	11.0	7.4	14.8
> 5 — 10	1	1.3	95.9	8.0	5.4	20.2
> 10 — 20	—	—	—	—	—	—
> 20 — 30	2	2.7	98.6	55.0	37.2	57.4
> 30	1	1.3	99.9	63.0	42.6	100.0
Total :	75	99.9		148.0	100.0	

TABLE 3: CASTEWISE DISTRIBUTION OF LAND IN TALAPATNA

Castes (in equivalents)	Households			Owned Acreage		
	Number	Per Cent	Cumulative Percentage	Acres	Per Cent	Cumulative Percentage
Brahmin	1	1.3	1.3	25	16.9	16.9
Kshatriya	3	4.0	5.3	93	62.8	79.7
Weaver	3	4.0	9.3	—	—	—
Milkman	5	6.6	15.9	—	—	—
Goldsmith	1	1.3	17.2	4	2.7	82.4
Sweetmaker	1	1.3	18.5	—	—	—
Odiya	5	6.6	25.1	11	7.4	89.8
Fisherman	1	1.3	26.4	1	0.7	90.5
Washerman	3	4.0	30.4	1.5	1.0	91.5
Khadal	52	69.3	99.7	12.5	8.4	99.9
Total	75	99.7		148.0	99.9	

ral support. At the same time, the Zamindar, because of his capacity to replace tenants, can easily ignore the legislative dicta.[20]

The tenants are responsible for irrigating and maintaining the land; but, for large-scale operations, the Zamindar provides the inputs, though the total labour is entirely that of the tenants. The tenants bear the cost of threshing and hulling the paddy. They have to pay for seed and local manure, but half the cost of the chemical fertiliser is paid by the Zamindar. In the case of other landlords, the cost of local manure is also divided equally between owner and tenant. It is said that the Zamindar is generally not in favour of using much fertiliser (on the land) nor is he interested in new varieties of paddy or in other crops. Only last year he allowed two of his tenants to cultivate sugarcane on five acres of wet land. In this patch of land, the total working capital was provided by the Zamindar and the total labour by the tenants. Here the tenants receive approximately 30 per cent of the produce; however, last year, both the tenants' shares were taken by Zamindar as part payment of their earlier debt to him. Excluding this land, in all other land, the tenant's share is two units, while the Zamindar's share is 3 units for paddy, and for greengram and blackgram 2:3. But for crops like ragi, redgram, mustard, til, gingelly, etc, the share is 1:1.

In addition to the above cropsharing, the tenants have several unpaid labour obligations, which not only tie the tenant to a particular landlord but also reduce the productive use of labour. To note a few such obligations:

(a) During feasts at the Zamindar's house, the wives of the tenants have to work there for days together; in return, they get cooked food to eat at their homes — definitely more in quantity than one adult's single meal but lacking in various special dishes served to the Zamindar's guests.

(b) Every year, the tenants have to re-thatch the cattle-sheds and the kitchen of the Zamindar by their combined labour and also with their straw and fibre — the Zamindar provides bamboo or wood required for the purpose. Usually the work requires one whole day of combined labour. The tenants get a meal on any day convenient to the Zamindar.

(c) Every tenant, irrespective of the amount of land he sharecrops, had to give the Zamindar annually a cart-load of wood for use as fuel. For the past two years, however, this obligation has been reduced, so that approximately 2.5 tenants have to provide one cart-load collectively every year. This is broadly due to the reduced needs of this fuel and its need for political support at elections.

(d) The Zamindar or his relatives and office bearers can call anybody at any time to send a message or goods to nearby villages.

(e) Besides the compulsory labour, there is optional unpaid labour like sweeping the front yard of the house of the Zamindar, cleaning his cowshed, grazing and bathing cattle, etc.

Regardless of age, villagers call the Zamindar father (Bapa). His paternalism finds expression in several forms. Every year, the village has a big festival for the village deity. Though it is organised by the village elders, they discuss with the Zamindar about programme and expenditure. He provides over half the expenditure, and initially joins the worship; but during the entertainment he leaves the place. This shows that his absence is needed for the villagers to make merry. Similarly, the Zamindar's wife, or mother, would give any villager some food or a torn piece of clothing upon request.

At times, the disputes concerning partition of land among brothers, marriage cases, and cases of elopement are referred to him, and his decision is always final. In one case, a man insisted on remarrying while his first wife was alive, in defiance of the Zamindar's decision. He was removed from the sharecropping and so, he had to leave the village. Even inter-village disputes may be referred to the Zamindar. But now, due to ill health, he avoids several cases.

The Zamindar deals with his tenants through two subordinates. First, is the Diwan, employed in 1969 to look after the land of the Zamindar. Not only the tenants but also the farm labourers are afraid of him — his baseless scoldings, and his frequent beatings for petty irregularities on the part of the working people. Next to him, is the chief sharecropper, a trusted person in the house of the Zamindar, who has the maximum amount of leased-in land as a single tenant. Several sorts of grievances of the tenants are conveyed to the Zamindar through him.

The second landlord, who lives 25 miles away, used to be the Diwan until 1968. He leased out his 25 acres to seven tenants. One of them has leased in a little land from the Zamindar also. In contrast to leases from the Zamindar, there is no right here of 'hereditary tenancy'. Eviction is frequent. Within five years, seven tenants were evicted, and this year three are taken in. However, four tenants have been continuing for the last six years. The shares are similar to those for the Zamindar, but unpaid labour is much restricted by tradition, physical distance, and frequent evictions.

The third landlord is a small entrepreneur of the goldsmith caste. He got his 4 acres by lending to small landowners. In 1974-75 two acres were given on fixed rent in cash (Gutta). The amount was fixed for Rs 175 per acre, but since the value of the harvest, per acre, was less than Rs 230 (at prices prevailing in the harvest season), he reduced his due by Rs 25 per acre. The other two acres are also given on fixed rent in kind (Dhulia Sanja). Here again, he gave a concession to his tenant. He has two tenants in all. Though they are not obliged to render him personal service, sometimes they do so voluntarily.

In the above tenancy systems (Gutta and Dhulia Sanja), the tenants bear all the risk; and, given the unreliability of the monsoon, the tenants often fail to meet their dues — and so have to send a member of the family to work for the landowner just for food. In nearby villages, such cases are very common. Several informants said that this system of tenancy has recently become more common.

(2) *Rich Peasants*:

A rich peasant is one who has independent holdings and works in fields with the help of farm workers, while sometimes leasing out a portion of his holding.

In Talapatna, there are two rich peasant households. The richer among the two owns 30 compact acres. The head of this household was once a primary school teacher, without any land. Somehow, the present Zamindar's father was pleased with him and gave him the land. His son a trained Gram Sevak, looks after the field. He is the only son, so his father did not allow him to go for higher studies or employment. He gives hospitality to any official who comes to the village. A very orthodox Hindu, he spends more than five hours a day in worship and chanting of 'mantras'.

Out of his 30 acres, he cultivates only 7 acres with the help of two farm servants (Halia) and his tenants' unpaid labour. The remaining land is given for sharecropping to seven tenants. Besides, out of the seven self-cultivated acres, two are cultivated by his tenants' labour. In this system (Bethi Uthana), the tenants do not get anything in return for their labour other than occasional meals. But, here, the total input and a portion (usually half) of labour during transplantation and harvesting is provided by the rich peasant. This is a recent phenomenon. Almost every year, he replaces one or two of his tenants and also changes the field from one to another.

In 1972, persuaded by his son, the rich peasant purchased a water pump. But the very next year, he sold it because of its expensive repair, and considered it less useful for the maintenance of his status. He said, "See, the Raja Saheb does not have it — how is he living? Further, what is the gain from this machine? At least, in my life time, I do not want such artificial tools ..." It is observed that though his economic position does not allow him to follow the life-style of the Zamindar, he tries to act like one.

The rich peasant engages his domestic servants in his self-cultivated field, puts his tenants to do household chores — like gardening, selling coconuts from his 25 trees in the market, cleaning cattleshed, grazing cattle, household repairs, etc. One of his domestic servants receives his daily food and his dress annually. He has to work for

TABLE 4: DISTRIBUTION OF CASTES BY LANDOWNERSHIP

Land (in acres)	Name of Castes	Number of Households	Total
Landless	Kshatriya	1	55
	Weaver	3	
	Milkman	5	
	Sweetmaker	1	
	Odiya	3	
	Washerman	3	
	Khadal	41	
Upto 1	Odiya	1	10
	Fisherman	1	
	Khadal	8	
>1 – 3	Odiya	1	3
	Washerman	1	
	Khadal	1	
>3 – 5	Goldsmith	1	3
	Khadal	2	
>5 – 10	Odiya	1	1
>20	Brahmin	1	3
	Kshatriya	2	
Total		75	75

five years to repay his earlier debts. The other one works a few hours a day, depending on the need of the family, and is paid annually a fixed amount of crop after harvest.

This is the most powerful household in the village after the Zamindar's. He gets support from his tenants, several farm labourers, and others. This faction is allied with the Congress, and the other one with the Swatantra Party. This rich farmer's hold in the village is gradually increasing, because of his greater involvement in the affairs of the people and his ability to get things done for the people through the officials. His being a staunch religious man also adds to his strength.

The second rich peasant owns 8 acres of land. He cultivates 6 acres himself, with the help of two servants of his caste. These two servants are paid monthly in paddy, and farm workers are hired on daily wages. Only two acres are given for sharecropping to two tenants (2:3 share). The tenants have fewer obligations to him. His other income comes from his 30 goats.

(3) *Middle Peasants*:

In this class, are peasants who own land but neither exploit others nor sell their own labour. Their income, in a normal year, is sufficient to give them an independent living in the village.

Only one household of an exterior caste owns four acres of land. The family members work in the field. But, at peak seasons, they hire labour. He is well known for not drinking liquor, a habit common among his castemen. He is influential in settling disputes not only of his caste but of his village, at large. He is also the ward member of the Gram Panchayat. He is politically conscious and is an active member of CPI (Marxist). In 1974, through his caste council, he united all small peasants, tenants, and agricultural labourers, to fight against selling the village produce in the outside market before meeting the needs of the villagers. From his experience, he argued that, in the initial stage, it is better to put forth such demands through caste councils than through class organisations.[21].

Another four households can be put in this class. They own more than 1.5 acres of land each. But, since that is insufficient for their living, they lease in a little land individually from different landlords. However, their main source of income is from their own land. All of them are relatively conscious politically.

(4) *Small Peasants*:

The land these peasants own is too little for subsistence. Hence they do either sharecropping or farm labour in addition to cultivation of own land.

In Talapatna, there are 10 households with small holdings. Their distribution cuts across caste identity. Eight of the small peasants are also tenants. The other two cultivate as partners (Bhaguali) where input, labour, and produce are equally shared among the partners.

Again, 22 landless households make their living from leased-in land. On the whole, 34 tenants (Bhagachashi) cultivate 79 per cent of the total village land. Leased-in land for the middle

TABLE 5: DISTRIBUTION OF LEASED-IN LAND

(per class)

Class	Households		Acres Leased in		Average Lease-in per Household (acres)
	Number	Per Cent	Acres	Per Cent	
Middle peasant cum tenant	4	11.8	21.5	18.4	5.4
Small peasant cum tenant	8	23.5	29.0	24.8	3.6
Pure tenant	22	64.7	66.5	56.8	3.0
Total	34	100.0	117.0	100.0	

TABLE 6: DISTRIBUTION OF LEASED-IN LAND

Leased-in Land	Households	Acres of Land Leased-in
Upto 1 acre	1	0.5
> 1- 2 acres	2	3.5
> 2- 3 „	7	18.0
> 3- 4 „	20	72.5
> 4- 5 „	3	14.0
> 5- 8 „	—	—
> 8-11 „	1	8.5
Total	34	117.0

peasant is higher than both the small peasant and the pure sharecroppers (Table 5). And, about 59 per cent of the sharecroppers cultivate land in the range of 3 to 4 acres (Table 6). Clearly, the landlords have leased out land to a large number of tenants. This probably helps consolidate their political power, while increasing their share through the small tenants intensive labour. If the land was given to fewer tenants, the tenants' share would have been more, and they would not have depended on the landlords for consumption loans. Thus, the practice of usury would have been weak, resulting in a weak bond between landlord and tenant. And in course of time, it might have helped investment of capital for productive purposes. I shall return to this soon.

Talapatna contains 25 ploughs. The sharecroppers have 20.5 ploughs in all. Yet, 10 of them are without ploughs and 7 others have only 'half a plough' each. Hence, 10 tenants depend on the landlords' cattle, while three hire the plough, and the other four manage with the help of their relatives, preferably brothers or the father-in-law. The tenants, who use the cattle of the landlord provide straw and grass for the cattle and also do some extra unpaid work. Out of the five bullock-carts in the village, three belong to owner-tenants.

And, since paddy cultivation can not be solely undertaken by family labour, traditionally the sharecroppers hire labour — at least during transplantation and harvest. Furthermore, any Khadal tenants leasing-in over three acres exchange their labour among themselves. This reduces the wage burden. For such exchange of labour, the worker is given only one meal.

Among sharecroppers, the status of a person depends on (1) amount of leased-in land, (2) source of the lease — a lease with the Zamindar being the most prestigious, and (3) his own caste. In 1971, when the tenants of the absentee landlord-diwan asked for a larger share, he took the help of his upper-caste tenants and suppressed the move. Still other evidence shows that, in a normal situation, uniting the tenants and labourers along class lines is difficult, mainly because of their class interests being fragmented by their allegiance to the caste and its associated hierarchy and value system. But, in times of trouble, there have been at least three occasions in the village, when they got united cutting across the caste barriers.[23] It is nevertheless essential to locate the political, social, and cultural variables which inhibit the development of class consciousness.

(5) Farm Workers:

A farm worker is one whose living is derived solely from selling his labour power in agriculture and other allied activities.

Twenty-seven households, constituting 36 per cent of the semi-employed and unemployed section of the village, belong to this category. Their distribution is also found in all the castes. They fall into two major categories: (a) labourers in permanent bondage (Halia) and (b) labourers relatively free (Mulia).

The Halias are confined to the exterior castes only. They are attached to the landlords and rich peasants, mainly due to indebtedness. Only three of them are employed on the basis of monthly pay in kind, the rest work for food while repaying their debt. In practice, they are no more than serfs.

The normal wage rate for a male labourer is Rs 2.50, for roughly 8 hours of work per day — this includes an increase of 50 paise during the last year when the price of paddy doubled. For a female farm worker, the increase during the same period was from Rs 1.50 to Rs 1.75. But 75 per cent of the wage is given in kind. For harvesting ragi, the labourer gets approximately one-tenth of his cutting, and for grams he gets a flat rate. The wage rate shows considerable variation during the peak seasons. The Zamindar pays for his domestic work less than the regular wage rate.

Although the farm labourers constitute as much as 36 per cent of the village, at the peak of the agricultural season, there remains an acute shortage of labour owing to the nature of paddy cultivation, which needs heavy labour for specific periods. Besides, several upper castemen, more particularly women — whose economic position is below that of the small peasants or tenants — do not work in the field. Further, the farm labourers do not remain in Talapatna alone, they go to other nearby villages. However, employment is constricted to a few months in the year. During the rest of the year, the labourers subsist on collecting and selling forest produce. The forest appears to be the second main source of subsistence for them. It may be worth noting that, especially in the lean months, kinsmen or castemen are preferred as employees.

Further, given the persistent land ownership structure and the methods of cultivation, production remains stagnant. Hence the 'surplus population' in relation to the tasks at hand; hence the insecurity of tenancy on whatever land is available.[24]

Socially, since the majority of farm labourers belong to the untouchable castes, they constitute the major section of the oppressed. It is said that they drink and spend money in gambling. Their women have low standards of 'morality'. Cases of elopement and even signs of prostitution are found in this category of people alone.

Only one man in Talapatna is a mine-labourer. He gets employment for eight months in the year but lives better than the village workers do. Whenever he is in the village, he goes to work in the fields of others. Besides, there are 12 more migrant workers to the Assam Tea Gardens and the Dhenkanal mines (Orissa). They are not the heads of their households. Relatively speaking, they are more conscious of their rights because of their trade union experience.

(6) Business:

Talapatna has three traders in all: a goldsmith (i e, the landlord already referred to), a grocer, and a hawker of stationery. Both the grocer and the hawker of stationery and their family-members work as farm labourers during the peak seasons.

(7) Others:

In Talapatna, one family lives by weaving and can be characterised as a small entrepreneur. Two persons are blind and depend for their living upon gifts from relatives and others.

More than 85 per cent of the population subsist on a mere 63 kg of paddy and ragi per person, per year, while the upper 15 per cent subsist on an average 210 kg per unit. The disparity is found from a sample of 11 households, covering all the different classes. They manage with other substitutes — such as horsegram, leaves, roots, tubers, and forest mango, etc. Most of them, however, occasionally spend money on drinking to relax after tiresome labour or during festivals. Most of them have one small dhoti or big towel or lungi, and several women have cotton sarees stitched up at several places.

In this situation, the agricultural labourers and the small tenants are forced to depend on loans for consumption. Talapatna has 5 creditors — all the landlords and all the rich peasants — and 50 debtors. The loans are usually in kind. Twenty-one households have taken paddy on loan, eleven both staple and cash, while eighteen others have borrowed only in cash.

Interestingly, 25 tenants are indebted to their own landlords — who are also called Sahukars, meaning money-lenders. Four more tenants are indebted to merchants and other landlords. On the whole, about 85 per cent of the tenants and 65 per cent of the agricultural labourers are indebted. In all cases, either directly or indirectly, the debt is extended against some security or other. In 16 cases, it is against gold and utensils; in 8 cases against land; in one case against trade, while in 25 cases — that is, half of all the cases — the debt is attached to the sharecropping arrangement.

TABLE 7: CLASS DISTRIBUTION IN TALAPATNA

Class	Households	
	Number	Per Cent
Landlord	3	4.0
Rich peasant	2	2.7
Middle peasant and tenants (1+4)	5	6.7
Poor peasants and tenants (2+8)	10	13.3
Sharecropper	22	29.3
Farm, forest and mine labour (12+15+1)	28	37.3
Business	2	2.7
Others	3	4.0
Total	75	100.0

TABLE 8: PURPOSE OF LOAN IN TALAPATNA

Purpose of Loan	Percentage of the Total Debt	
Cultivation expenditure	7.0	15.6
Purchase of plough	4.2	
Construction of house	3.2	
Business	1.2	
Food and other personal requirements	45.4	81.1
Social and ceremonial needs	31.2	
To repay the debt	4.5	
Others	3.3	3.3
Total	100.0	100.0

Though there are variations, the rate of interest on staple is normally 60 per cent till the next harvest. By another system, the debtor may repay twice the quantity of paddy borrowed in any year. In recent years, this second system has been giving way to the first one. The interest on cash varies from 30 to 45 per cent per annum. Most such loans are used for food and for ceremonies, and only a little (15.6 per cent) is used for productive purposes (Table 8). Sometimes, the landlords extend consumption loans to their tenants at a lower rate of interest, and they would do so even when these debtors have no further assets to offer as security. The tenant, cultivating a small parcel of land with his backward instruments, has to pay the rising land rent and to remain perpetually indebted to the landlords. The insecure tenancy, the credit nexus, and the traditional feudal culture combine to yield strong 'bonds' between the landlords and their tenants.

Often, as a token of gratitude the indebted households, present important forest products like honey, edible roots and tubers, fungi, berries and also fish for the grant of the loan. Sometimes, they go for casual labour or work as farm domestic servants to pay the debt. Here they are paid less than the wage rate of the village.

The landlords are not only the rentiers and the usurers, they are also traders in crops. This trade is carried out through the debt repaid by the tenants at harvest time in staples and cash crops (oilseeds and pulses), and their own surplus is sold chiefly when the market prices increase considerably. In 1974-75, the landlords sold approximately 10 per cent of the paddy collected at harvest time, while at the same time 25 per cent of the tenants' share was sold out (from a sample of 11 tenants). Actually, after paying a portion of the debt, the remaining crop is inadequate to meet the tenants' minimum subsistence. In the lean months, he goes again to the landlord, who provides paddy at the the ruling market price at the time and collects it back at the harvest-value of the crop. Obviously, a high rate of interest is thus charged, keeping the tenant in perpetual indebtedness. Further, he is not allowed to enter into the *product-market* while he is forced to enter into the *exchange-market*.

The economic surplus extracted through land, interest bearing capital, and exchange market, is used in conspicuous and wasteful consumption, such as construction of big comfortable houses and in arranging feasts. The big landlords have not yet felt the need to transform the surplus into productive capital. Furthermore, the combined profit from money-lending and renting land is judged to be greater than that likely from the development of agricultural produce.[25]

In addition to wasteful consumption,

the Zamindar spends money to acquire control over elective positions in the Panchayat Samiti and the Assembly Constituency. In 1959, the second brother of the family was the Sarpanch of Dharakota Gram Panchayat, having been unanimously elected. In 1962, he was chairman of the Dharakota Panchayat Samiti. In the 1967 and 1971 Assembly elections, he was elected with the ticket of the Swatantra Party, and was twice Deputy Minister in charge of Gram Panchayat, Community Development, and Agriculture. In the 1974 Assembly elections, he had followed the well known strategy of mobilisation through traditional obligations including the existing owner-tenant relations plus the creditor-debtor relations. He moved the constituency with his mother, Rani Saheba. Villagers were often seen offering garlands and tributes in honour of their visit. The distribution of money and drink by him was very little compared to that by the Congress candidate, a big industrialist of the state. He had profound control in the Panchayat Samitis. But, for the first time, he was defeated. His defeat reveals that there is not necessarily strong relation between the institution of the Panchayat and the Assembly votings. A note may also be made of the role of the CPI (Marxist) in the success of the Congress. In 1973, the party for the first time organised its base in this area. It could mobilise several hundred peasants. But many people thought that CPI(M)'s hold was not a possible alternative in the election; hence they voted for the Congress. Further, out of the big four political visitors during 1974 elections, the meeting of H K Konar and P D Dasgupta of CPI(M) were more attended than those of R N Singh (Swatantra) and Y B Chavan (Congress).

Anyway, this was not the first defeat of the family. In the 1957 Assembly elections, the first son of the house was also defeated, when the estate was a part of Aska Contituency — which has a long-standing history of peasant movements and is not influenced by the Zamindari system. Notwithstanding the two defeats of the family, it is noticeable that to a large extent, there is personalisation of economy and of political power.

In Talapatna, we find the primordial forms of slavery and intensive sharecropping, combined with frequent fear of eviction, perpetual indebtedness of the peasantry to the landlords for consumption loans, forcible restriction of the peasantry from the capital market, predominance of exchange economy seasonal farm labour, and poor development of commodity economy and of the productive forces. In other words, the village is a semi-feudal one.

As is known, social progress means that the relations of production and forces of production conform with each other, and that this conformity develops the productive forces, which ultimately open the door for further social progress. But, in this case, the relations of production stand as the primary obstacle to the release of productive forces which historically demands a change in the relations of production. However, whether this situation would bring about fundamental changes in agrarian relations, can not be said simply on the basis of the available information on a single village.

Notes

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1 See, for example, the debate on the Transition from feudalism to capitalism in *Science and Society*, between Spring 1950 to Fall 1953.

2 A Rudra, 'In Search of the Capitalist Farmer', *Economic and Political Weekly*, 1970, Volume V, Number 26, p 85.

3 The main critiques of Rudra's methods are; U Patnaik, 'Capitalist Development in Agriculture?', *Economic and Political Weekly*, September 25, 1971; and, 'On the Mode of Production in Indian Agriculture: A Reply', *Ibid*, September 30, 1972; see also; P, Chattopadhyay, 'On the Question of the Mode of Production in Agriculture: A Preliminary Note', *Economic and Political Weekly*, March 25, 1972.

4 Among others, see, C Bettelheim, "India Independent" (New York: Monthly Review Press, 1968), and A Bhaduri, 'A Study in Agricultural Backwardness under Semi-Feudalism', *Economic Journal*, March 1973, See also, Pradhan H Prasad 'Reactionary Role of Usurer's Capital in Rural India', *Economic and Political Weekly*, Volume IX, Numbers 32, 33 and 34, August 1974, pp 1305-1308; and Nirmal K Chandra, 'Farm Efficiency Under Semi-Feudalism: A Critique of Marginalist Theories and Some Marxist Formulations' *ibid*, pp 1309-1332.

5 Among others, see, A Beteille, "Studies in Agrarian Social Structure" (New York: Oxford University Press, 1974), where he writes that the agrarian structure of the village can not be understood "by considering only the internal structure of the village. Those, who represented the top of the hierarchy, ... had their hands in a number of villages without necessarily residing in any", (p 74).

6 M Dobb, "Studies in the Development of Capitalism" (London: Routledge and Kegan Paul, 1946), p 35.

7 I Me'sza'res, "Marx's Theory of Alienation" (Merlin Press, 1970, pp 100-150).

8 See the debate in *Science and Society, op cit.*

9 A Bhaduri, 'An Analysis of Semi-Feudalism in East Indian Agriculture', *Frontier*, Volume 6, Numbers 25-27, September 29, 1973, p 12, emphasis his.

10 A Bhaduri, "A Study in Agricultural Backwardness Under Semi-Feudalism" *op cit*, pp 120-121.

11 C Bettelheim, "India Independent", *op cit*, p 23.

12 U Patnaik, 'On the Mode of Production in Indian Agriculture: A Reply', *op cit*, pp 147-148.

13 A Rudra, 'In Search of the Capitalist Farmer', *op cit*, p 85.

14 K Marx emphatically pointed out that the "Proprietorship of land parcels by its very nature excludes the development of the social productive forces of labour, social forms of labour, social concentration of capital, large-scale cattle raising, and the progressive application of science", "Capital" (Moscow: Progress Publishers, 1970), Volume 3, p 787. See also, V I Lenin, "Collected Works" Volume 21, pp 69-70.

15 See M Dobb, *op cit*, p 36.

16 See, for instance, R K Mukherjee, "Land Problems in India" (Calcutta, 1933), p 325.

17 In Orissa, there were altogether 425, 693 estates, and to abolish those in 1951, the Orissa Estate Abolition Act was passed. And so far 420,441 estates have been 'abolished'. Report of the Administrative Enquiry Committee, Government of Orissa, 1971, Volume I, p 68.

18 The hierarchy used in both Tables 1 and 3 follows the perceptions of informants of various castes in the village. The local caste terms when translated into English appear to be a mixture of occupational, varna terms, and alternate local terms. Nevertheless, we adhere to the local perception for the present purpose.

19 Here, broadly we follow, Mao Tse-tung, "Analysis of Classes in Chinese Society", "Report on an Investigation of the Peasant Movement in Hunan", and "How to Differentiate the Classes in Rural Areas", "Selected Works of Mao Tse-tung", Volume I, pp 13-21, 23-59, and 137-143, respectively. See also, K Gough 'Peasant Resistance and Revolt in South India', *Pacific Affairs*, Winter 1968-69, pp 527-544.

20 However, the Tenant Relief Act, 1955, of Orissa provides that no tenant in lawful cultivation of any land on the first day of July 1954, or at any time thereafter, shall be liable to be evicted from such land by the landlords. Report on Enquiry into the Working of the Orissa Tenants Protection Act, 1948, and Orissa Tenants Relief Act, 1955, in the Five Districts of Orissa (New Delhi, 1970).

21 Irfan Habib argues that the caste system is a framework for peasant movements, and through the caste councils peasants were able to join the peasant movements. "The Agrarian System of Moghul India" (London: Asia Publishing House, 1963), p 332.

22 K N Raj, 'Ownership and Distribution of Land', *Indian Economic Review*, April 1970, pp 1-42.

23 Kathleen Gough, analysing peasant uprisings in India, has questioned Moore's explanation of the weakness of the peasant movement in India in terms of the caste hierarchy and values, 'Indian Peasant Uprisings', *Economic and Political Weekly*, Special Number 1974, Volume 9, Numbers 32-34, p 1391; and also B Moore, "The Social Origins of Dictatorship and Democracy" (Beacon Press, 1966), p 383.

24 The insecurity of tenancy is well described in: V M Dandekar and Nilakantha Rath, 'Poverty in India: Dimensions and Trends', *Economic and Political Weekly*, Bombay (January 2, 1971), pp 106-46.

25 See Pradhan H Prasad, *op cit*, and Nirmal K Chandra, *op cit.*

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Female Work Participation: A Study of Inter-State Differences

A Comment

D Narasimha Reddy

LEELA Gulati's analysis of international differences in female work participation makes interesting reading; however, her analysis of the inter-state differences within India could have been set out in a better perspective.[1] Although the average female work participation in India is low (13 per cent), there are wide inter-state variations. The variations in female participation rates are greater for the rural population and relatively narrower for the urban population; while the rural female participation rates range from 1.26 per cent in Punjab to 28.57 per cent in Andhra Pradesh, the urban rates vary from 3.01 per cent to only 11.05 per cent.

Of the total female workers, 89.35 per cent are in the rural areas. The main occupation in the rural areas is agriculture and 87.02 per cent of rural female workers are employed in agriculture — either as cultivators or as agricultural labourers. Further, the rank correlation of 'rural female participation rates' with the 'proportion of female workers to the total agricultural workers', works out to $r_s = 0.98$. This highly significant relationship indicates that differences in rural female work participation are co-terminus with the differences in their participation in agriculture.

If inter-state differences in female participation is wider for the rural population, if bulk of the female workers are in the rural areas, and if the main rural female activity is agriculture, then differences in agricultural conditions must explain, to a large extent, the variations in female activity rates. Thus the present analysis is confined to explaining *rural female participation rates* in terms of certain agricultural factors. The following four agricultural factors are selected for explaining the variations in rural female participation rates:

(1) Irrigated area,
(2) Average annual rainfall,
(3) Crops grown, and
(4) Agricultural labour productivity.

In order to examine the consistency and extent of these factors in explaining differences in rural female activity rates, the scope of the analysis is widened to include not only inter-state comparisons within India but also inter-district comparisons within a state — *viz*, Andhra Pradesh.

Irrigated Area as Proportion to Net Sown Area

Availability of assured irrigation facilities makes possible more intensive application of other inputs — like improved seeds, fertilisers, and of course labour. Irrigation-assured intensive cultivation may ensure more agricultural incomes obviating the need for income supplementing through female participation; or the type of cultivation in irrigated areas may provide fewer jobs suited to women. In either case, more of irrigation facilities may mean less female participation. At the inter-state level, rank-correlation of 'female participation rates' with 'net irrigated area as a proportion of net sown area' works out to $r_s = -0.49$ (significant at 10 per cent). However, for states with below-average irrigation facilities, the rank correlation works out to be highly significant at -0.75 (significant at 1 per cent level). Further, if we distinguish between different sources of irrigation and isolate the more dependable perennial source of irrigation, *viz*, canal irrigation, we find that the rank correlation between rural female work participation rates and 'canal irrigated areas as a proportion to the net sown area', works out to $r_s = -0.63$ (significant at 2 per cent). Even at the inter-district level (AP) the rank correlation of percentage of gross irrigated area to the total area sown with rural female participation, yields $r_s = -0.54$ (significant at 5 per cent).

Average Annual Rainfall

Average annual rainfall can be considered to be one of the important factors in determining the state of agriculture in a region. Since rainfall is the main factor in replenishing the sources of irrigation, lower rainfall may mean relatively less assured irrigation facilities — and hence less intensive cultivation with low income yields, necessitating more female participation. Female participation rates in the low rainfall areas are, therefore, likely to be higher than in the high rainfall areas. However, the rank correlation, between rural female participation and the average annual rainfall, is highly insignificant. It must be noted here, that some of the low rainfall areas like Punjab, Haryana, and UP, are also the states with the highest assured canal irrigation facilities. At the inter-district level, however, the rank correlation between annual average rainfall and rural female participation rates works out to $r = -0.48$ (significant at 5 per cent level).

Nature of Crops Grown

The nature of the crops grown in an area reflects to a large extent the agricultural conditions of that region. For instance, cultivation of rice and wheat depends upon the availability of irrigation facilities, whereas jowar, bajra, etc, are normally grown as dry rainfed crops. It is reasonable, therefore, to expect that, in areas where dry crops are grown, incomes are likely to be lower — and hence the higher participation of female workers. For instance, the rank correlation between the percentage area under jowar and rural female participation works out to $r_s = 0.81$ (significant at 1 per cent). Further, the greater the area under rice, the lower seems to be the female activity rate.

This is very well borne out by the data of districts of Andhra Pradesh. While the rank correlation between percentage area under rice and rural female participation rates works out to $r_s = 0.59$ (significant at 1 per cent), the area under 'other cereals and millets' (including mainly dry rainfed crops like bajra, jowar, etc) correlated with rural female participation rates yields $r_s = 0.60$ (significant at 1 per cent). Thus, quite contrary to the expert opinion,[2] the female participation appears to be a negative function of the area under rice crop. And this finding explodes the myth that rice cultivation offers more of small jobs suitable for employment of female workers.

Agricultural Labour Productivity

It is misleading to establish a relationship between general per capita income and female participation rates.[3] As has been pointed out earlier in this analysis, female participation rates are higher in rural areas and in agricultural occupations. Even if the contribution made by these sectors is relatively low, the average per capita income would tend to be higher if the contribution from other sectors is higher. For instance, Maharashtra, with third rank[4] on the basis of per capita income, is placed thirteenth on the basis of agricultural labour productivity. Therefore, it may be necessary to make sectoral distinction in income and in participation rates. Since the bulk of the female participation in rural areas is in agriculture, labour productivity in agriculture may be a better indicator of female participation rates. Lower agricultural labour productivity in general would mean lower incomes of even the male agricultural cultivator or worker. Low earnings of the male worker may necessitate female work participation in order to earn supporting income. Further, low labour productivity is also consistent with scanty rainfall, poor irrigation facilities and dependence on dry crops. Therefore, it seems reasonable to expect higher female participation wherever the agricultural labour productivity is lower.

Table 1, column 2 shows the inter-state differences in agricultural labour productivity. Rank correlation between rural female participation rates and agricultural labour productivity works out to $r_s = -0.62$ (significant at 2 per cent level). For the districts in Andhra Pradesh, comparable data on agricultural labour productivity are not available. Therefore, assuming that labour productivity is reflected in per-acre yield and selecting rice yield, since rice is the leading crop grown in Andhra Pradesh, rural female partici-

Table 1: Selected Agricultural Factors

States	Rural Female Work Participation	Agricultural Labour Productivity (Rs)	Annual Average Rainfall (CM)	Percentage of Net Irrigated Area to Area Sown (67-68)	Percentage of Canal Irrigated Area to Net Sown Area	Percentage of Area under Jowar
	(1)	(2)	(3)	(4)	(5)	(6)
India	14.55	1332	138.9	19.7	8.10	100.0
Andhra Pradesh	28.59 (1)	1072 (12)	87.1 (11)	27.2 (5)	11.50 (7)	14.5 (3)
Maharashtra	26.56 (2)	1057 (13)	141.7 (6)	8.1 (14)	1.79 (15)	33.2 (1)
Madhya Pradesh	22.01 (3)	1073 (11)	122.4 (8)	6.4 (15)	3.13 (13)	13.6 (4)
Tamil Nadu	19.88 (4)	1104 (10)	100.8 (9)	43.2 (2)	14.68 (5)	3.9 (8)
Karnataka	16.82 (5)	1413 (8)	172.8 (4)	10.8 (13)	4.23 (10)	16.1 (2)
Kerala	14.29 (6)	2121 (3)	299.6 (1)	19.3 (9)	9.07 (8)	Neg (13.5)
Gujarat	12.51 (7)	1560 (6)	73.0 (12)	11.3 (12)	2.03 (14)	7.2 (5)
Rajasthan	11.47 (8)	1066 (14)	50.8 (15)	12.4 (11)	4.03 (11)	6.0 (6)
Bihar	11.00 (9)	756 (15)	128.8 (7)	24.3 (8)	8.79 (9)	0.1 (11)
Uttar Pradesh	9.52 (10)	1321 (9)	98.6 (10)	32.4 (3)	11.85 (6)	4.1 (7)
Orissa	7.62 (11)	1447 (7)	148.2 (5)	16.3 (10)	3.74 (12)	0.1 (10)
Assam	6.31 (12)	1934 (4)	251.6 (2)	25.6 (7)	15.23 (4)	Nil (15)
West Bengal	5.54 (13)	1705 (5)	228.1 (3)	26.5 (6)	16.88 (3)	Neg (13.5)
Haryana	3.17 (14)	3103 (2)	62.5 (13.5)	32.2 (4)	25.27 (2)	1.2 (9)
Punjab	1.26 (15)	3390 (1)	62.5 (13.5)	58.4 (1)	32.35 (1)	Neg (12)

Note: Figures in parentheses represent ranks.

Sources:

Column 1: Economic Characteristics of Population (Selected Tables) Census of India 1971 Series 1, Paper 3, 1972, Registrar General and Census Commissioner, GOI.

Column 2: Gross Value of Output of Agricultural Labour Productivity = $\frac{\text{agricultural crops (at current prices) 69-70}}{\text{Persons employed in agriculture}}$

Table 9.1: Gross value of output of agricultural crops (at current prices): 1969-70, pp 33-41. 'A Statistical Profile of Indian Agriculture', *Commerce* Annual Number 1972. 'Persons in Agriculture' from "Economic Characteristics of Population" *op cit*.

Column 3: Table 4.1: 'Region-wise Distribution of Rainfall'. (Average Annual Rainfall MM—1901-50) p 20. *Commerce* Annual Number 1972.

Column 4: Table 4.2a, *Ibid*, p 21.

Column 5: Calculated from Table 4.2, and Table 4.4 *Ibid* pp 21 and 23.

Column 6: Table 9.9, *Ibid*, p 50.

pation rates are correlated with per hectare rice yield data. The rank correlation works out to $r_s = -0.46$, (significant at 5 per cent).

The above analysis is far from a comprehensive explanation of the relations between agricultural factors and rural female participation rates. It suffers from fewer selected agricultural factors, highly speculative reasoning, and sketchy analysis. Even so, this cursory analysis amply demonstrates that, in India, inter-regional variations in female activity rates are firmly rooted in differences in agricultural factors. Any adequate explanation of the differences in the female participation should be viewed from the root cause of the problem and, therefore, no wonder that fancy socio-economic variables do not explain anything.

Notes

[I am grateful to S Subbaramaiah M L Kantha Rao and L K Naidu for their valuable comments and encouragement.]

1 Leela Gulati 'Female Work Participation — A Study of Inter-State Differences' *Economic and Political Weekly*, January 11, 1975, pp 35-42.

2 Pranab Bardhan states that "in all the states of East and South India (except Karnataka) the predominant crop is paddy which — unlike wheat and other dry regions crops — tends to be relatively intensive in small labour". Quoted in Leela Gulati, *Ibid*, p 42n.

3 See Leela Gulati, *Ibid* p 37.

4 See Table 3, Leela Gulati, *Ibid*, p 37.

5 While Leela Gulati's study includes 17 states, the present analysis is confined to 15 states — thus omitting Himachal Pradesh and Jammu and Kashmir. Himachal Pradesh is a hill state and the women of the hills, wherever they are, seem to have higher participation rates. For instance, the female work participation rate for Nagaland is 47.43 per cent, for Meghalaya it is 36.06 per cent and for NEFA 52.80 per cent. Even among other states, the hill districts have higher female participation rates. For instance, the five hill districts of Uttar Pradesh have an average female participation rate of 48.98 per cent, while the average participation rate for the state as a whole is as low as 9.52 per cent. Since, for hill states, the participation rates are higher, Himachal Pradesh is excluded from the present analysis. Jammu and Kashmir has certain peculiar features which make it unique and not strictly comparable to other states and, therefore, it is excluded from the analysis.

TABLE 2: SELECTED AGRICULTURAL FACTORS IN ANDHRA PRADESH

District	Rural Female Work Participation	Rice Yield Per Hectare (Kg 1971-72)	Average Annual Rainfall (MM) (66-67 to 70-71)	Percentage of Gross Irrigated Area to Sown Area (1970-71)	Percentage of Area under Paddy to Net Sown Area (1971-72)	Percentage of Area under Other Cereals and Millets to Net Sown Area (1971-72)
	(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh	28.59	1551	—	31.6	27.00	38.19
Mahaboobnagar	36.98 (1)	1160 (17)	631 (19)	12.5 (19)	7.5 (19)	50.8 (2)
Nizamabad	34.86 (2)	1451 (9)	960 (9)	44.8 (7)	23.0 (9)	42.8 (9)
Hyderabad	34.67 (3)	1257 (16)	779 (16)	16.4 (17)	10.5 (17)	45.8 (5)
Karimnagar	34.42 (4)	1425 (11)	952 (10)	30.1 (11)	13.7 (11.5)	41.3 (10)
Kurnool	32.70 (5)	1585 (8)	627 (20)	12.3 (20)	9.1 (18)	43.3 (8)
Medak	32.26 (6)	1071 (19)	897 (13)	21.8 (14)	13.2 (13)	48.0 (4)
Anantapur	30.41 (7)	1846 (3)	541 (21)	14.2 (18)	7.0 (21)	41.0 (11)
Warangal	30.55 (8)	1391 (15)	1010 (8)	28.8 (12)	13.7 (11.5)	45.2 (6)
Nalgonda	30.07 (9)	1394 (14)	716 (18)	24.9 (13)	22.9 (10)	39.9 (12)
Adilabad	29.93 (10)	798 (21)	949 (11)	6.7 (21)	7.1 (20)	45.0 (7)
Srikakulam	28.68 (11)	1434 (10)	1063 (3)	46.0 (6)	47.1 (5)	12.3 (18)
Guntur	27.77 (12)	1713 (5)	874 (14.5)	46.8 (5)	35.9 (6)	16.6 (17)
Visakhapatnam	27.37 (13)	1401 (13)	1014 (7)	36.3 (8)	31.7 (7)	25.8 (15)
Ongole	26.85 (14)	1132 (18)	915 (12)	20.6 (15)	10.8 (16)	52.8 (1)
Nellore	26.67 (15)	1408 (12)	1025 (6)	64.7 (2)	52.2 (4)	26.0 (14)
Krishna	26.59 (16)	1642 (6)	1044 (5)	58.7 (4)	52.8 (3)	12.0 (19)
Khammam	26.22 (17)	955 (20)	1196 (1)	19.3 (16)	12.0 (14)	49.7 (3)
West Godavari	25.08 (18)	1920 (1)	1056 (4)	79.5 (1)	68.9 (1)	3.0 (21)
Chittoor	24.25 (19)	1841 (4)	874 (14.5)	30.9 (10)	23.3 (8)	18.8 (16)
Cuddapah	23.14 (20)	1858 (2)	724 (17)	31.2 (9)	11.8 (15)	39.4 (13)
East Godavari	20.48 (21)	1607 (7)	1071 (2)	63.0 (3)	61.0 (2)	6.5 (20)

Note: Figures in parentheses indicate ranks.

Sources: Column 1: Provisional Population Totals, Series 1, Paper 1 of 1971, Supplement, Census of India 1971, Registrar General and Census Commissioner, GOI.
Column 2: Statistical Abstract of Andhra Pradesh 1973, The Bureau of Economics and Statistics, Hyderabad, 1973.
Column 3: *Ibid* 1972.
Column 4: *Fifth Five-Year Plan, Draft Outline, Andhra Pradesh*, Government of Andhra Pradesh, July 1973, pp 566-567.
Column 5: Statistical Abstract of Andhra Pradesh 1973, *op cit*.
Column 6: *Ibid*.

FROM THE CHAIR

Alembic Glass Industries Limited, Baroda

Speech of the Chairman, Shri R. B. Amin

THE following is the speech of Shri R B Amin, Chairman, Board of Directors, Alembic Glass Industries Limited, Baroda, at the Thirtieth Annual General Meeting of the Company held on June 5, 1975.

LADIES AND GENTLEMEN,

I have pleasure in welcoming you all to the 30th Annual General Meeting of the Company. The Accounts for the year ending 31st December, 1974 have been circulated to you in advance and, with your permission, I shall take them as read.

Levels of production were maintained and augmented in both the plants at Baroda and Whitefield, the total reached being 48,762 tonnes in 1974 in comparison with 45,276 tonnes in 1973. You may recall that the Whitefield plant was closed for almost two months on account of strike. A power cut continued to operate in Karnataka throughout 1974 as well as during this year. In order to be able to operate both the furnaces at Whitefield even with the maximum power cut, the second all electric furnace is also being converted to mixed melter.

The marketing strategy of your Company was to reorient its product mix so as to attract a broader-based demand. Thus, we have successfully manufactured smaller bottles and developed business with manufacturers using these specialised containers. Similarly, in regard to tableware, new items have been introduced and particularly among these, embossed crystalware has been received very well by customers. The introduction of these items has been supported by an advertising campaign which has helped in stimulating interest all over the country. All these efforts together managed to increase the sales of your Company from Rs 6.93 crores in 1973 to Rs 8.59 crores in 1974. This increase of almost 24 per cent, achieved against growing competition and other adverse factors must be regarded as a creditable achievement.

All of you are well aware of the havoc which inflation has caused to the economy of our country, as also its adverse and pernicious effects on all economic entities, including the working of corporations and the day-to-day lives of individuals and households. Your Company is affected by these disrupting forces and it has faced many unfavourable developments while trying to maintain good results. Although your Company has so far encountered and overcome these difficulties and handicaps with a measure of success, the situation during this year has all of a sudden deteriorated. The bulk of our user industries are going through a deep recession and their demand for our products has sharply and suddenly fallen. And we have entered a critical period which is demanding our best efforts to remain afloat in the prevailing economic environment, policy and administration which are curbing production and preventing growth. A change in the prevailing atmosphere and framework of constraint is regarded as urgent and overdue by all those who are interested in the good of the country, its economy and its people. It is equally clear that in spite of this general desire for a change, government still persist with their approach and policies for centralisation of all resources and decisions. How can one expect initiative and enterprise to be built up in the economy unless these powers are decentralised and decisions dispersed to lower levels? Under the present circumstances, this change will come about when public opinion becomes sufficiently clear, expressive and widespread and demands change which cannot be mistaken or ignored. Our people will have to find their voice, make themselves heard and see to it that their lives and the lives of coming generations are made brighter and more promising instead of being blighted, frustrated and restricted as at present.

Coming to the more specific ills and difficulties faced by your Company on account of adverse economic policies, it would be necessary to mention excise duties once again. Year after year, we have pointed out the damage caused by high excise duties not only to your industry but also to all other industries which use glass containers. The Central Budget raised by another 5 per cent the excise duty on glassware, bringing the total to 30 per cent. This was done when the real incomes of households have been halved over the past three years on account of galloping inflation. The prices of basic necessities being what they are, the surplus in the hands of the average household has all but disappeared. This increase in excise has meant that even a minor bright spot like glassware, symbolising decent living in our generally grim existence, is taken out of the reach of more and more of our people. The success of any economy is judged by the way in which it so sparks off growth that what were once luxuries for the few are produced and sold on such a large and liberal scale that they soon become necessities to the masses. In the management of our economy, we seem to be heading in the other direction, where things that could become available to all under normal conditions are

so constrained in production and are so heavily taxed that they are artificially and unnaturally converted into luxuries.

The position of user industries and our clients is also very difficult and critical. Their products also bear exorbitant excise duties and inflation has also cut into the demand for their products by the consumer, who is already impoverished by the decline in the value of the rupee. Credit squeeze has forced our clients to pare down their inventories to the bone and this inevitably adds to our burden of stocks. Further, it had led to a drastic overall reduction in long-term orders and commitments. As a result, we have experienced a sizeable drop in demand from our usual sources, both from industry and from the household sector.

The various measures adopted by your Company both on the manufacturing side as well as the marketing side, have so far not been able to fully cope with the massive slide in demand during this year because of the severe depression engulfing the entire economy. Even during 1974, the decorating plant at Whitefield had to be kept closed most of the year for want of orders. Since the beginning of 1975, one furnace each at Whitefield and Baroda is shut down due to recession.

The progress of your Company is tied up with the progress and prosperity of industrial and domestic consumers and so long as there is a slack and setback in these larger sectors, we shall be facing problems over which we have little control and regarding which our manoeuvrability is limited. Within the existing parameters of economic policy, economic revival along a broad front is difficult to envisage. A good monsoon may provide for some respite and breathing space. But the economic transformation and liberation that our country requires and desires as well as the renaissance that it is capable of will come about only when public opinion is sufficiently aroused and activised and leads to the necessary changes in Government policy and implementation.

The new measures which need to be adopted for a revival of the economy are indicated as follows :

(i) We should introduce incentives, concessions and tax reductions for those who contribute to increased employment and production, such as have been adopted in the United States, Canada and the United Kingdom;

(ii) The rate of excise duty should in no case exceed ten per cent. Anything higher curbs production, reduces employment, curtails purchasing power, leading to a decline in demand and then the downward recessionary spiral sets in;

(iii) Excise duties might be replaced by a tax on added value. This will reduce the multiple loading of excise element on products at each stage of manufacture and on each part of their cost make-up such as raw materials, components, containers, closures, packaging material and so on.

These suggestions have been made in order to bring about a greater awareness about the diagnosis of our economic ills and the remedies for their removal and cure.

Before I close, you would like me to place on record our appreciation of the efforts put in by the workers, staff and managers, both at Baroda and Whitefield. I also wish to thank my colleagues on the Board for their support and guidance.

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

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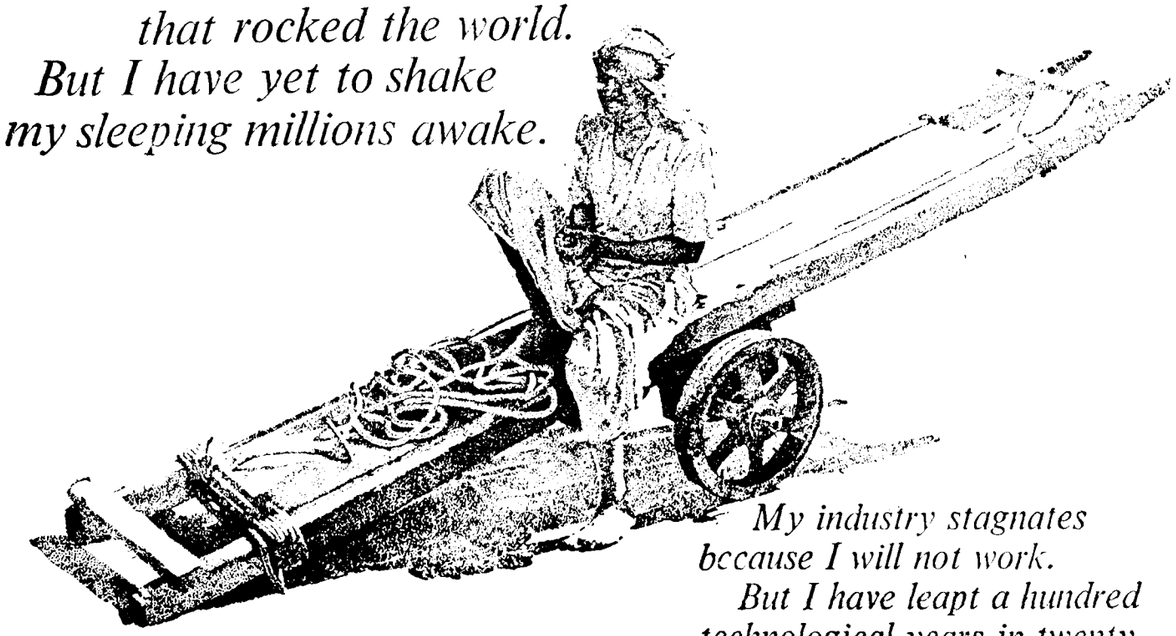
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But I have yet to shake
my sleeping millions awake.



My bigotry sundered a subcontinent in two.
But I have given man his most tolerant Faiths.

I grew up unlettered and illiterate I shall die.
But I have schooled a hundred million children.

My life is a trauma of permanent hunger.
But I have created protein from sugarcane bagasse.

I perish in my thousands of cholera and typhoid.
But I have led the team which discovered aureomycin.

My industry stagnates because I will not work.
But I have leapt a hundred technological years in twenty.

I walk in the footsteps of a man called Mahatma.
But I have loved the teacher more than his teachings.

Freedom was the paradise I promised my poor.
But they halved the reward by doubling their numbers.

I was born in a palace plundered and sacked.
But I have made of the ruin the home I love called India.

I am sad.
But I am glad.
I am.

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WEEKLY

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MURDER TO LANDLORDS' ORDER

BANGLADESH: HOLIDAY'S END

PRICE OF PETRODOLLARS

TORTURE OF WOMEN PRISONERS IN INDONESIA

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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

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Cry the Beloved Leader!

"DEATH to Justice Sinha" cries the throng outside the Prime Minister's house. It has been brought there to mark popular support for the Prime Minister in the wake of the judgment of the Allahabad High Court holding her guilty of corrupt election practices and setting aside her election to the Lok Sabha and disqualifying her from holding elective office for six years. For good measure, some enthusiasts burn an effigy of the Allahabad judge.

It is not important whether or not the Prime Minister is personally responsible for these extreme expressions of displeasure with the Allahabad High Court judgment. She does not have to be: it is the function of party managers to arrange such things. But there can be no question that the mood and the tone of these so-called demonstrations of popular support, which will no doubt go on for many days, have been set by the Prime Minister.

The constitutional impropriety of Indira Gandhi continuing as Prime Minister after the Allahabad High Court's verdict is obvious enough. In the past, leading members of her own party — one can recall off-hand a Union Minister and a state Chief Minister — have had to step down from office after their elections had been set aside by courts. But it is rather late in the day to get very worked up about the constitutional lapses of our rulers. There has been altogether too much loss of innocence for that in the quarter century of the Republic and, more particularly, in the reign of the present Prime Minister.

Indira Gandhi herself has not bothered overmuch about the constitutional pros and cons of sticking to office. Her response to the High Court's judgment has been different. And this is altogether more ominous than the constitutional impropriety of her not resigning. Her argument in justification of staying on in office is starkly simple: the national interest requires that she continue to be Prime Minister and so she will remain Prime Minister. Further, the people of the country want her to stay: see the multitudes outside her house at all hours of the day and night beseeching her, pleading with her, not to go, crying themselves hoarse that they will "brave bullets and lathis" to protect their "beloved leader". To drive the point home, the Prime Minister has drawn attention to the continuous efforts of the Opposition to get rid of her; also, to how India's external enemies would like to see her go. So the question is: should Indira Gandhi resign just to oblige the Opposition and the external enemies of the country or should she respect the wishes of the people and continue as Prime Minister in the interest of the country?

Of course, some uneasiness remains. The people thronging the precincts of the Prime Minister's residence have been herded there as part of stage-managed shows of support. The nation-wide expressions of support within the Congress has been similarly arranged by state Chief Ministers and other party leaders who have been handpicked by her over the years and whose own power is linked with her remaining in office? Finally, the results of the Gujarat elections, announced the same day as the Allahabad judgment, do not quite suggest that the Prime Minister and the Congress are considered *quite* indispensable by the people.

But let these and other doubts be confined to drawing-room discussions. In the market place of politics what matters is that the Prime Minister has decided that, come what may, she must continue in office in the national interest. This response to the Allahabad judgment is far more significant than the judgment itself. Immediately, there is a pointer here to the Supreme Court: will it really want to go against the national interest, expressed so explicitly and unambiguously? To some this may smack of attempting to prejudice the judiciary and bringing pressure on it, but does even that matter when the national interest is involved?

And if a mere court judgment cannot be allowed to interfere with the national interest, can the voters of a single constituency — say, Rae Bareli, in some future election — be allowed to do so? Or, for that matter, the voters in a majority of constituencies in a state or even all over the country? Pack the courts with 'committed' judges, change the laws to suit your convenience — remember the constitutional amendment to exclude election expenses incurred by the party from those of the candidate? — and rig elections, but when even these devices don't work, be prepared to do without courts, without laws and, if needs be, without elections. Because the national interest requires that Indira Gandhi remain Prime Minister.

That is the message of the Prime Minister's response to her unseating by the Allahabad High Court.

Allahabad Verdict

Durbari Melodrama

A Correspondent writes from the Capital:

"THE Queen is a certified crook. Long live the Queen". So runs the doggerel in the minds of all those hundreds of Congress MPs and other courtiers who have been lounging around within the portals of power by courtesy of Indira Gandhi.

In the morning she was unseated for having used officials and official machinery during her election campaign. In the afternoon busloads and truckloads of Municipal employees and factory workers were cajoled into congregating outside her residence at Safdarjang Road to demonstrate "popular" support for her "dynamic leadership".

The trucks belonged to the New Delhi Municipal Committee and the buses to the Delhi Transport Corporation. Many of the hustlers who organised the demonstration were local government officials. As added inducement, some of the demonstrators were offered five-rupee notes and others were given bread and milk.

To most Congressmen it is quickly obvious that if she is made to step down from the seat of power they might have to follow as they have no political base of their own. Most of them were handpicked by Indira Gandhi in 1971 or 1972. Now in this emergency situation, their dependence on her has become a bond.

In this circumstance, legal 'quirks' like not using officials and official machinery for personal and party ends are nuisances which can be simply ignored — in the afternoon as in the morning. In the violation of legality, some of the Chief Ministers have a wealth of experience. Two of them, Siddhartha Shankar Ray and Bansi Lal, who have revelled in the politics of terror in West Bengal and Haryana, are drumming up support for Indira Gandhi. Truckloads of 'captive' workers and peasants were brought from Haryana for the show of strength organised by Bansi Lal.

Strong arm men like Lal and Ray are the most frightened at the prospect of Indira Gandhi's resignation. Deprived of Central protection and with only a police base in their states, they might be the first to be sent packing if the Prime Minister resigns. Compared to the state bosses of the early 1960s, Chief Ministers now have no substantial political machines of their own.

The only man who has recently tried to build his own political machine, Chief Minister Bahuguna of Uttar Pradesh, was regarded with instant suspicion by Indira Gandhi and reprimanded in no uncertain terms. Being the Chief Minister of the Congress heartland places him in a key position. He is the only Chief Minister who will be not unhappy to see Indira Gandhi go.

This does not mean there will be a smooth transition in New Delhi like after Nehru or Shastri. Once she steps down, the immense centralisation of political manipulation she has effected is bound to fall to bits. The dirty linen will come out in laundry-loads.

Jagjivan Ram is regarded as the front-runner with the unassuming Swaran Singh as an interim Prime Minister. It might just so happen that the empty symbolism of having a Harijan Prime Minister in the portly and stable shape of Jagjivan Babu would suit the Congress mentality. He would be regarded as useful at a time when the Harijans are not only beginning to get militant but are showing some slight signs of developing a class ethos in Bihar and Uttar Pradesh, again in the Congress heartland.

This revolt of the minorities is also erupting in Gujarat, where the ever-faithful Scheduled Castes and Tribes and Muslims are no longer slipping in the Congress ballot. The election results from Gujarat have shown that Indira Gandhi's helicopter trips are not very charismatic these days.

As all the non-CPI Parliamentary Opposition leaders have repeated parrot-like, this has been a great day for democracy and for justice. Whose democracy and justice for whom are irrelevant issues at a durbar where personalities are primary and where economic issues are mere fodder for the speech-writers and the journalists.

Whether she comes down or not, the country is no longer going to be as sleepy as it has been for the last three decades. The starvation induced inertia will continue but it will be fitful. There will be ever more gheraos, morchas, police-firings and lathi-charges.

The vast tragedy will continue alongside the durbari melodrama. The melodrama has reached the second act. The durbar has got entangled within its own postures of propriety. The final suicidal act has yet to unfold. There is as yet no directing party which is capable of precipitating the final act.

All the same, this day has been momentous. The future may regard it as the moment when a ritual drama turned into a living confrontation.

Foreign Policy

Natural Drift

THE Indian President, Fakhruddin Ali Ahmed, has returned from a six-day official visit to Indonesia. He of course did not go on his own volition, but was despatched by the Ministry of External Affairs. The visit must therefore be considered as having been undertaken in pursuance of our foreign policy, particularly policy with respect to South-East Asia. The timing of the visit, and the choice of the country visited, should provide some staple for thought. Consequent to recent developments in Indochina, the regimes in Thailand, Philippines and Malaysia are busy daubing white paints across their past. Madame Marcos, the wife of the Philippines President, has completed a pilgrimage to Peking and even succeeded in wangling an audience with Mao Tse-tung, no less; President Marcos, whatever his inner emotions, was desperately anxious last month not to permit the Americans to make use of the Clark air base for the transhipment of the rump of the Vietnamese hangers-on who chose to flee from their native land. In the wake of the Mayaguez affair, Prime Minister Kukrit Pramoj of Thailand, paying obeisance to *realpolitik*, was forced to condemn in no uncertain manner the American administration for launching the attack on Cambodia from his country's air bases; he has now asked for a re-negotiation of the terms under which the US forces are still in the country. In Malaysia, businessmen of Chinese origin are being encouraged to open channels of trade and communications with the Middle Kingdom.

Now that entire Indochina has caved in to the communists, these governments want to be on their best behaviour. Only those of Singapore and Indonesia are holding out. Of these, Singapore can be ignored: it is hardly a country, but a clearing house of money and gossip, whose character would sooner or later be determined exogenously, by what happens around it. Indonesia is a somewhat different case; the Americans have a special weakness for its military establishment, and not just because the country has rich resources of oil. Indonesia's army leaders take pride in the claim that they have physically liquidated three million of their countrymen supposedly because they were communist sympathisers; another half a million continue

to rot in prison. [See report on torture of women prisoners in Indonesia elsewhere in this issue.] The species of social and political revolution which is sweeping the south-eastern parts of Asia, and which has culminated in this year's magnificent triumphs in Vietnam, Cambodia and Laos, cannot but cause a shiver down the spine of Indonesia's establishment leaders, who have come to acquire a reputation as much for anti-egalitarian proclivities as for their personal corruption.

Yet the Indian President chooses this very country for his first official trip abroad since assumption of office. A philosophy must be at work behind the madness. New Delhi is prepared to write off the mainland Asian countries — which it expects to slip under China's influence in any event — and forge alliance with the peripheral ones that are sold on anti-communism. The day Fakhruddin Ali Ahmed flew off to Djakarta, a commentator on the All-India Radio was heard berating the Chinese Communist Party for having sent a message of encouragement to Indonesia's underground party apparatus. This was obviously the Government of India's way of buying the goodwill of the corrupt ones who rule Indonesia.

Nobody in South Block is seemingly detained by the thought that the befriending of Indonesia may have a certain negative impact in most of the rest of South-East Asia, including Vietnam. Or perhaps the policy-planners in New Delhi are being underrated. As hard realists, they might have concluded that, given our social base, our natural drift in Asia would be toward the direction of the left-over stooges of the US administration and against the socialist regimes going to come up in Vietnam, Cambodia, Laos, and possibly in a few of other countries too. Or it could be a case of the Soviet Union not minding a developing liaison between India and Indonesia, as that would provide it with an assurance that Peking would not have a walk-over in the Asian stakes. The communists who got killed in Indonesia, after all, belonged to the wrong genre.

Bangladesh

Holiday's End

A Correspondent writes:

AS far as civil liberties are concerned, Sheikh Mujibur Rahman's Second Revolution in Bangladesh has lighted the way to dusty death. *Holiday* was a weekly tabloid from Dacca, owned and edited by a personable young man, Enayetullah Khan. Extrovert, loquacious, steeped in bourgeois sophistication, generous to a fault, liking the good things in life, Enayetullah Khan had as many enemies as friends. Some years ago — it was still the heyday of Pakistan, Ayub Khan was President and all was apparently right with the world of the military-industrial establishment —, Enayetullah chucked his cushy job with an American oil company and decided to start a political journal. *Holiday* was the outcome. It was anti-establishment after a fashion, but, then, in the middle 1960s, nearly everybody in East Pakistan was against the establishment. What still marked out Enayetullah's venture was its anxiety to spell out the socio-economic content of political dissence. He came from a political family, his father was an old-time follower of Fazlul Huq who became the Speaker of the East Pakistan Assembly, a younger brother was leader of one of the many communist factions up and down Dacca's Topkhana Road.

Enayetullah had fun running the journal. Tongue-in-cheek, he would write of the foibles of men in power and aspiring to be in power. His racy style helped. And the journal had a certain audacious urbanity; Enayetullah would lift, not by anyone's leave, exciting material from other journals, never mind whether they were published a hundred, a thousand, or ten thousand miles away. The outward aspects of *Holiday* were rather uninviting: it was an eight-page affair, got up in the manner of a newspaper and printed in newsprint, little attention was ever paid to decor and display. Nonetheless, Enayetullah enjoyed himself, and one dare say so did his readers. He had basically a university clientele, and the circulation was limited. But, in the fight against Pakistan's authoritarian regime, the Dacca intelligentsia had a pivotal role to play. Enayetullah's *Holiday*, its flaming radicalism spliced with cynicism, had its hours of glory. There were many who would question his credentials; others were put off by his flamboyance; even so, *Holiday* kept serving the immediate cause, which was to liberate Bangladesh from the clutches of the Pakistani army junta.

1971 saw him seek refuge in Calcutta. He was not the only one to do so. The change of locale, and the uncertainties hanging in the air, could not cramp his style. Even the holy war of liberation he would treat with a formula of mockery and banter; he saw no reason not to prick the bubble of pretensions of would-be commissars. He always had a fund of stories to relate about important Bangladesh personages, including the most venerable ones; those were more good-natured than malicious; his central object was to invite attention to his pet premise, which was that small-town hustlers are not the stuff of which revolutions are made; they are bound to go under. Enayetullah could not quite spell out what alternatives were available to the people of Bangladesh. That precisely defined his charm: just on this side of being irresponsible, he still took his role seriously. For a fledgling people open to many temptations, a journal of dissent ought to be worth its weight in gold; at least, Enayetullah thought, its weight should be a hundred times more than that of the namby-pamby lyricism of the establishment figures within the fold of the East Pakistan emigres huddled in Calcutta.

By Christmas, 1971, Enayetullah was back in Dacca, as were several others. The prevailing euphoria was a bad setting to resume one's Cassandraesque soliloquies. But he was not deterred; *Holiday* re-entered the scene. It would have been easy for him to join the conformist bandwagon; there was a lot of gravy flowing, one needed quite an effort not to pick up at least some of it by trading off a modest quota of integrity. *Holiday* withstood the temptation. It kept gunning for the new establishment, and created a whole lot of new enemies in the process. Enayetullah, quite obviously, could not care less. Within the next few months, the journal came to be identified as being both anti-Awami League and anti-Government; it also came to be known for its consistent anti-Indian stance. That, *Holiday* would explain, could not be helped, gratitude is a brittle foundation on which to develop mutual relations between two sovereign nations, the Government of India has to be attacked for its choice of friends in Bangladesh, namely, the most corrupt and unscrupulous specimen from amongst the Awami League tribe. You must be held responsible for the company you keep, as also for the kind of policies you promote; there was nothing either xenophobic or personal in his

anti-India diatribes, Enayetullah would assure his friends. You had to believe him, for he kept lifting, obviously in admiration and approval, radical pieces from Indian journals.

Any way, even as corruption spread and the economic situation deteriorated in Bangladesh, he intensified his attacks on India. *Holiday* was an uneven journal: it sparkled only now and then, its target-shooting often went amiss, adding further to the number of its enemies. However, the owner-editor did not suffer from any qualms: he went on holding to ridicule Sheikh Mujib's inept and corruption-ridden Government; *Holiday* drew attention to the fly-by-night political operators, out for a quick kill, who had suddenly arrived on the scene; it berated India's foreign policy; it praised China; it continued to reproduce interesting, but often absurd, pieces from far-out publications. Despite the drabness of its format, and the transparent shortage of resources, *Holiday* was having the time of its life.

It was too good to be true. There can be no such thing as liberal authoritarianism. *Holiday* lasted exactly a hundred days following the proclamation of Sheikh Mujibur Rahman's Second Revolution. It must have breached that invisible line beyond which enough is regarded as enough; the party is over, Enayetullah Khan has been in prison since early May, and *Holiday* has ceased to be. The press in Bangladesh, the world has been informed, is going to be thoroughly reorganised, without question in the image of the President's predilections. Unlike in this country, written words evidently still carry a certain weight over there. No frivolity is to be allowed from now on; it is going to be one party, one leader, one political line, and dissidence is to be despatched to the gallows. Enayetullah likes the good things in life, he will have to make do with whatever he is able to lay his hands on in prison: for he may have to stay in for quite a while.

But, never mind the instance of Enayetullah, the Second Revolution is gathering pace. Every day, more and more newsmen are joining Sheikh Mujib's composite party, Bangladesh Krishak Sramik Awami League (BAKSAL), and swearing undying allegiance to the great leader. The non-joiners have a choice: they can go to prison, and languish there. Fortunately, few of them will be as foolish as Enayetullah Khan.

LETTER TO EDITOR

Sic

I WOULD like to lodge a mild protest against the imprecise and frequently quite meaningless use of the expression *sic* in some of the despatches in the *EPW*. Clearly, the expression "is inserted after a quoted word or phrase to confirm its accuracy as a quotation, or occasionally after the writer's own word to emphasise it as giving his deliberate meaning; it amounts to Yes, he did say that, or Yes, I do mean that, in spite of your natural doubts" ("Modern English Usage"). The use of the expression as "a neat and compendious form of sneer" is not advised. And yet, it is precisely to such uses that *sic* is being increasingly employed. To take the latest instance, Romesh Thapar writes (*EPW*, April 12, 1975), "The press publicity for 'dear Henry', and the award of the Nobel Peace Prize (*sic*!) were designed...". Of course, nothing could more clearly suggest the disgusting hypocrisy of the liberal establishment than the award of the Nobel Peace Prize to Kissinger. But the fact is that the prize *was* awarded, and there is no ambiguity on that count. Since the *fact* of the award is not being questioned, the proper appeal to the attention of the reader to the incongruity of the award would have been inverted commas. This is not a mere pedant's cavil; for, our present political situation (as manifest in the words and actions of the establishment politicians and total revolutionaries) is so riddled with every kind of hypocrisy, double standards, cant and other manifestations of Indian pharisaism that one will have to use the expression *sic* after every other word, almost like a (if a pun is permitted) sick-making expletive. Incidentally, the use of the expression *sic* with one or even more than one exclamation mark seems to be yet another sophistication we Indians have bestowed upon an alien borrowing. But of course, if the expression has to serve as an all-purpose derisive expletive, then the more exclamation marks one employs, the greater would be the utter shame and rout of one's polemical adversary.

M S PRABHAKAR

Gauhati

TAMIL NADU ELECTRICITY BOARD

TENDER NOTICE

SPECIFICATION No. C. 1173.

ENNORE THERMAL SCHEME — FABRICATION, SUPPLY AND TESTING OF STEEL PONTOON FOR FERRYING BULLDOZER WEIGHING 45 TONNES

1. For and on behalf of the Tamil Nadu Electricity Board, sealed tenders in duplicate, superscribed as above will be received by the undersigned upto 12 Noon on Thursday the 24th July 1975. The tenders will be opened at 2.30 P.M. in the Office of the undersigned on the same day in the presence of such of the Tenderers or their Representatives as may be present. Tenders received late will be summarily rejected.

2. Copies of Specification No. C. 1173 can be had from the Office of the undersigned on application enclosing the receipt for payment for a sum of Rs. 10/- (Rupees Ten only) by cash or money order towards the cost of one copy of Specification to the Deputy Financial Controller, Madras Electricity System/Distribution, 1/155, Anna Road, Madras-600 002. The Specification No. C. 1173 should be clearly furnished to the Deputy Financial Controller, Madras Electricity System/Distribution, 1/155, Anna Road, Madras-600 002 while making the above payment and in all correspondence. The above amount is not refundable under any circumstances.

3. The Tamil Nadu Electricity Board does not bind itself to accept the lowest or any of the tenders. The Board reserves the right to reject any tender or all the tenders without assigning any reasons therefor.

4. The tenderer should pay a sum of Rs. 2,500/- (Rupees two thousand five hundred only) towards Earnest Money Deposit along with the tender.

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On display will be pipe wrenches, pliers, vices, spanners, steel files, threading tools including hand drills, tungsten carbide tipped tools & cutters, reamers, saws, gear cutting tools, etc.

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THE TAJ MAHAL INTER•CONTINENTAL BOMBAY, INDIA

Calcutta Diary

A M

THE technique is as old as pre-history. Give the dog a bad name. A Deputy Inspector General of Police was at hand to do the chore. In the district of Bhojpur and in the Musahari block near Patna, Naxalite hordes, he swore to the world, were again on the rampage. As a responsible police officer, he was obviously having sleepless nights. But they — meaning he and his government — were a resolute lot. They had decided that enough was enough, henceforth the government was going to supply the villagers with guns so that the latter on their own could cope with the Naxalite criminals.

From there, it did not take quite even seventy-two hours. 'Villagers' is of course a euphemism for the landlord elements infesting the countryside. Once the authorities decide to supply guns to villagers, the guns are bound to end up with the landlords. This is the natural law, and happens with just any resources distributed by the State. Give a dog a bad name, and then watch the fun. Not even seventy-two hours were past; the *dramatis personae* do not change, it was the same Deputy Inspector General of Police who now rushed to make a second statement. It was a glorious occasion for him; apparently the strategy of arming the 'villagers' has had instant success. The Naxalites were on the run. Fifteen of them — or was it eighteen? — had the mendacity to engage the 'villagers' and the police in a gun duel in the Musahari block. It was a fierce, fearsome battle, painted in the luridest Hollywood colours. The battle raged through the long, still night; the police and the 'villagers' were at the receiving end of a fusillade of firing by the desperadoes. But Evil never triumphs in the end. The police and the 'villagers', in self-defence, set fire to some hutments; as the day dawned, fifteen — or was it eighteen? — Naxalites lay dead; their bodies were scorched, perhaps, who cares, they also died of some gun-shot wounds. It was a most famous victory for the forces of law and order, who, miraculously, did not suffer any casualties. The Naxalites, hopefully, would learn the lesson and henceforth behave.

As that cliche goes, tell us another one. All we know is that some young people have died like dogs. They have been shot, jointly, by the police and by those to enhance whose welfare the police is always ever ready, namely, the landlords, generically described in some lexicon as villagers. Any person whose views you do not like, any one who demands a higher rate of wages, or a larger share of the crop, or a quota of the irrigation water, or some credit from the co-operative society, anyone who demurs to pay the high rate of interest charged, or is under strain to pay the price fixed for the grain by the village merchant, or refuses to hand over his womenfolk for your gratification, can be, and is, dubbed a Naxalite. Give a dog a bad name. In the past, these specimens had more plebeian names, such as landless labourers, such as Harijans. But times change, old epithets do not provide adequate passport to the practice of tyranny. The era of Sanskritisation is on. In Bihar, the Sanskritisation has assumed a specific cultural form: the weaker sections of the peasantry are no longer called just that, they are elevated to the status of Naxalites, and then shot like dogs.

Meanwhile, Madam Prime Minister was campaigning out in Gujarat, even as fifteen — or was it eighteen? — Naxalites were being shot in cold blood by the Bihar police and their loyal 'villagers' — or is it the other way round, the Bihar 'villagers' and their loyal police? The Prime Minister was indignant as only she can be. It is the CPM which was at the root of all evils. It is the CPM who bred the wretched Naxalites. It is the CPM, when they came to power in West Bengal *via* the United Front in 1969, who asked the landless labourers to seize land and not by anyone's leave, not by the leave of the policemen, not by the leave of the responsible villagers. That was how the Naxalites got started. Once the lower peasantry get the taste of seized land, their head is turned; from then on, there is no end of trouble. Has the CPM no sense of shame? As far as her own party is concerned, they do it differently. They do not ask the peasantry to seize land, they do it in an orderly manner, they pass legislation.

Precisely, Madam Prime Minister. In Bihar, as elsewhere in the country, your party has passed, in the past twenty-eight years, yards and yards of legislation concerning land and its distribution. There is a succession of laws with respect to the terms and conditions of tenures, arrangements for share-cropping, quantum of rent, land ceilings, *et al*, in certain areas even with respect to minimum wages payable to landless labourers. There are other laws against untouchability and about how it is a criminal offence to bar the entry of Harijans from the village temple or to shoo them away from the village tubewell and the irrigation canal. One can even come across laws with the avowed purpose of bringing the land records up-to-date so that the share-croppers or the tenants-at-will could feel somewhat more secure.

To what effect? These legislations have remained moribund because these legislations the Prime Minister's party has never intended to implement. It is awkward to implement these legislations, for the landlords, whose interests would be adversely affected by them, are flesh of the flesh of the Prime Minister's party. That is why in Bihar, when a Collector in a district such as Saharsa or Muzaffarpur proceeds in a simple-minded manner with the task of up-dating the land records in accordance with the letter of the law, consternation spreads, the State cabinet meets in emergency session, a resolution is passed, and a wireless message is despatched asking the Collector to desist, and immediately. That is why all funds channelled through co-operative societies end up with the big landlords and nothing percolates down to the small holders and the landless. That is why the rate of interest charged by the money-lender-cum-landlord goes up with every season. That is also why money wages have remained constant in Bihar over the past quarter of a century even as prices have jumped at least four times.

The laws are not supposed to be enforced. The laws cannot be enforced, for the simple reason that ruling politicians, Commissioners, Inspectors General of Police, each belong to the same wide community, the community of the privileged, who will not allow their land to pass on. Between politicians, administrators, landowners and money-lenders, there is a certain affinity of ideas that stems from the affinity of class interest. Big farmers cheat the ceiling laws through fictitious and *benami* settlements, the administrator winks; gentlemen-politicians grab government land and village commons for their private purposes, the police abets; landlords deny the legal rights of share-croppers and eject them from their holdings, the *tehsildar* laughs at the share-croppers; labourers are not paid their due wages and are thrown out of their hutments, the forces of law and order benignly watch from the sidelines. The Harijans and the tribals, despite the legislations, remain outside the purview of the law's due process; they can be set upon, their assets snatched away, not one squeak will be heard from the direction of those who are in power. The social status of the so-called inferior castes remains invariant over the years. There is only one minor difference which has been ushered in: contact with the Harijans is to be avoided at all costs, such contact means perdition; but contact with their womenfolk apparently holds no such stigma. This is what privilege is about.

So the pattern is expected to continue. Madam Prime Minister will wax indignant at the Naxalites and their progenitors, namely, the CPM. Her party, come election season, will pass furious new legislations with respect to land and the people who inhabit the land, but the pattern of the infamy will continue too. Inspectors General of Police will pass out guns to peace-demanding 'villagers', who will use them to shoot down those who so much as even dare to submit a prayer for marginal reforms in matters concerning the level of wages, share-cropping arrangements, tenancy systems, grain prices, interest rates and so on. And the Prime Minister's fury notwithstanding, the village poor will be able to obtain cultivable land only when, reaching the end of their tether, they begin to seize the land on their own. As they begin to seize the land, some of them will be duly shot down by the landlords and their loyal police. There will be a certain regularity in the cycles of such killings. But, after all, this is how the course of history makes pace. Sooner or later, the police will fail to cope with the task, and army units will have to march into the countryside. Terror will stalk the land. But, again, sooner or later terror will be met by terror, the landless poor will learn to hit back, they too will learn to kill. Madam Prime Minister will frown at such uncivil behaviour, but history is no respecter of Madam Prime Ministers and their susceptibilities.

Yet, so much of all this was so completely unnecessary. The rumblings in the Musahari block and in the interior of Bhojpur are early warning signals. They have a very gentle message; there is still time; there is still time to meet the modest, minimal demands of the poorest peasantry: a slight upward adjustment in money wages, a small increase in the share of crops for the tenant, a minor reduction in the rate of lending, a slightly more equitous sharing of the irrigation water, an opportunity for their women to draw from the village well for maybe half an hour each day, a humble plea to let their womenfolk alone. Perhaps it is one of those ironies of history that even such piffling concessions are regarded *infra dig* by the ruling class. They will not unbend, not even by a fraction. Thus it is that Deputy Inspectors General of Police will have to keep themselves busy doling out guns to the peace-demanding 'villagers'. They will have to hand out a whole lot of guns. In due course, these guns will fall into the wrong hands, or, rather, the right hands, the peace-demanding 'villagers' will discover that their occupation is ended. This is how history proceeds, and there is no reason for its proceeding in a different manner in India. It is by seizing the assets of the rich, including their guns, that the poor are able to create history. They seize the guns, and they seize the land, both without leave of Madam Prime Ministers.

CAPITAL VIEW

The Many 'Cultures'

Romesh Thapar

FOR the first time in the history of the Bombay film industry we are witnessing the production of politically motivated films which also keep an eye on the box office. 'Garm Hava' led the way, in a sense. Then came the somewhat gimmicky 'Aandhi', seen by many as a satire on the Prime Minister. Then a host of films on the lives of smugglers and such like. And, now, 'Kissa Kursi Ka', supposedly a massive assault on what goes on. However, what is of interest is that the power hierarchy is in no mood to permit this healthy trend to prevail over the rich-boy-poor-girl muck we have known. While the make-believe muck gets censor certificates with ease, the political films are "kept pending". No one wants to take a decision. After all, one censor board chief has already been dispensed with. Film 'culture' for you.

Untenable Black-out

How long do the wielders of power imagine they can prevent film-makers, dramatists, and folk-singers from capturing the trauma of today's political and economic life? So long as India possesses an independent judiciary — and it does, despite reports to the contrary! — the GOI cannot possibly black out these films. In fact, every interference will only build the audience for these films. The national mood is startlingly different from what the 'Intelligence System' imagines.

The slurring over of political films is like the slurring over of so many other damaging facts, which now get reported in a strangely twisted way in the newspapers.

The other day, for example, the Delhi Electric Supply's Class IV Unions (forgive the terminology of socialist India!) announced, after many days of power-shedding during the hottest summer period, that their demands were under consideration and that Delhi's citizens could look now forward to an uninterrupted power supply. This item was published without comment by our lack-lustre Press. The fact of deliberate and wilful sabotage by the unions was not even mentioned for fear that the newspapers might lose their power supply! P N Haksar is right when he speaks of a 'cow-dung culture' prevailing at the power plants, for power-shedding, even in the surplus areas, is a part of everyday life in India, but the cult of linking wage demands with sabotage is new and spreading.

At another level, there is the case of the India Tourism Development

Corporation. Minister Raj Bahadur appears to have embarked upon the destruction of this Corporation, because his favourites from yesteryear have not been accommodated in the tourist infrastructure. The Chairman of the Corporation is confronted at regular intervals with charges of corruption and wrong functioning, charges which come through familiar letter-writing MPs. The ministry has abandoned its function to protect its officers from harassment, and these 'letters' are sent on to the CBI without proper assessment and with the laziness characteristic of men who have no commitment to this country's future progress. A gang of discontented officers within the Corporation, in alliance with busybodies outside, and with the co-operation of a frightened or conniving minister and secretary, can ruin a corporation — and, in an area where the private sector is extremely powerful. What culture would P N Haksar describe this as?

If these are the tactics of the odd men, without base or ballast, whom Indira Gandhi has inexplicably assembled around her in the Council of Ministers, they can be matched by the cynical sophisticates in the Foreign Office. Here, an undeclared war has been on, against 'outsiders', for as long as one can remember. Of course, the sophisticates pick their 'outsiders' with great care. They should be sensitive men, unaccustomed to assert themselves for normal perks and privileges, quiet workers who are unlikely to protest. Their offices abroad can be denuded of furniture, even 'taken over' by juniors. They can be denied proper hostel facilities when cooling their heels in Delhi. They can be socially boycotted, even denied transport at critical moments. All this goes on merrily from one foreign minister's regime to the next. The 'regulars' are not punished. G Parthasarathy, denied work and consultation, could begin a spring-cleaning here. It's very much an integral part of policy-planning, because most of the regulars at the Foreign Office only know how to plan their careers, a 'culture' as old as the hills.

Unparalleled Crudity

The handling of people, whether officers or men of Class IV, has reached levels of crudity never witnessed before. The organised elements can blackmail, sabotage, threaten, and see their way through to some miserable paradise. But the officers or executives, those who have not organised, are for the high jump. An income-tax commissioner who unearths the fraudulent wealth of a tycoon or a prince is rewarded by a sudden transfer. A joint secretary who notes, in a manner not to the liking of minister or Prime Minister, is sent scuttling back to some remote district to be disciplined. A chief minister or governor who hobnobs with 'influential' typists and chaprassis is the stuff of which leadership is made these days. To survive, it is necessary to have suction in the right quarters. And there's nothing unique about this 'culture'. In fact, it's terribly, terribly familiar.

These are only minor elements of the story from Delhi. Imagine the goings-on in the state capitals. The infrastructure of corruption, if it may be so-called, is like a cancerous growth, perpetually spreading until painful death takes over. The most disturbing sign of our tortuous present is the systematic attack that is now developing on the still honest and outspoken individuals who control positions of power and influence, and on those institutions and centres of excellence which resist subversion. The attack is subtle and brazen, carefully planned and crude, direct and indirect. The resources of the 'Intelligence System' — much expanded during recent years — are being extensively used to track down, follow up, tap, tail, and harass the good men. It is difficult to name this 'culture' of the corrupt. Given time, we will be able to christen it.

Final Unmasking

The consequence of the attack on the best in our hierarchy of power means that the final defences of a democratic structure are sought to be demolished. When the honest and outspoken have been smeared, or removed, or transferred, or kicked upstairs, there will be no one to hold back the flood. And it will not be possible to think of resurrection or restoration for a decade.

Today, more than ever, it is necessary to look for the facts behind the news to rally in support of those who need support, and to expose those who are misusing power and position, directly or indirectly. Is the country ready for this effort? Or will it go under in exhausted sleep?

June 9

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BIHAR

Murder to Landlords' Order

Arvind Narayan Das

WHAT is happening in Bhojpur and Patna districts of Bihar is nothing new. It has happened over and over again — in Kilvenmani, in Banda, in Gazipur, in Gahlaur, in Rupaspur, in Chauri. Bihar, the land of Mahavira and Ashoka, has always taken the pride of place in the sport of harijan-hunting. The only difference between the present 'games' and the earlier ones is that this time they have been given the colour of a crusade against 'Naxalism'.

'Naxalism' has become a very convenient bogey to be raised by the propertied classes and the State to suppress any kind of dissent. Its use has become more and more frequent. When the Prime Minister in Gujarat, the Union Home Minister in Srinagar and the West Bengal Chief Minister in Calcutta are leading the chorus against the 'Naxalites', it is only to be expected that the police functionaries in Bihar would do their bit. Thus, 'Naxalites', who were last year reported to have been 'contained', have become ubiquitous again. As the economic crisis deepens and the people become more and more restive, the government takes ever more brutal steps to stifle and suppress opposition to it in any form and justifies its actions as being part of a holy crusade against 'Naxalites'. Alongside of the government, the semi-feudal landlords and rich peasants, for whom oppression of the rural poor is a habit, have joined the holy war. The result is that an orgy of violence has been let loose in rural Bihar by the landowners and the government, who claim to have killed more than 30 'Naxalites' to date in the current phase of the repression.

Reign of Terror

What are the real facts about this reign of terror?

Till 1970, Madhuban village in Dhanarua Block in Patna district contained 9 square miles of forest land. In that year the government got the land cleared by local landless harijan labourers with the avowed aim of settling them on the cleared land. However, once the land had been made fit for cultivation, the Yadav rich peasants of the area occupied it and started a reign of terror on the harijan labourers, beating them, maiming them and raping their womenfolk. This situation continued for nearly five years. It was only on May 9, 1975 that the harijans put up some resistance in which three Yadav landowners from the neighbouring Patharhat village were killed. Sure enough, the village was declared 'Naxalite-infested' by the government and 18 harijan labourers were dubbed as 'Naxalites' and arrested.

The entire population of a nearby village, Deokuli, had a dispute over an irrigation bundh with another village, Belabarah, in 1972. The villagers of Deokuli had got together and raised money for fighting a legal battle in the courts against the residents of Belabarah. But the fund was not used for this purpose; instead, it was allegedly defalcated by one Sharbanand Singh, a landowner belonging to the Awadhia caste which dominates the region together with Bhumihar and Yadav landlords and rich peasants. Swindling the poor peasants out of their money was not the only way Sharbanand and other Awadhias exploited the harijans. When his ploughman got ill during the paddy transplanting season, Sharbanand took away the crop from the ploughman's little plot of land also. On March 16, 1975, a harijan boy passing through the village was surrounded by the landowners and beaten to death. On May 7, more than a dozen young Awadhia landowners entered the Musahar tola and raped a number of harijan women. When, after years of oppression, the harijans wanted to resist such atrocities, they were immediately labelled 'Naxalites'.

Nema village of Punpun block in Patna district has had an armed police camp almost continuously since 1967 because this village has been the scene of struggles by the landless and poor peasants — again mostly harijans — over minimum wages and homestead lands. Here too the landowners, including those who have links with the CPI, treated the harijans as chattel. One Nakdedi Chamar was brutally murdered while he was going to dance at the house of Bachchu Babu, one of the bigger landowners who had once employed Virda Musahar, who has been labelled as the 'leader of the Naxalites'. Raping of harijan women was a common occurrence here also and in this sport the landowners were joined by the personnel of the police camp set up at their instance. In fact the police party soon outdid the landowners and even started raping Bhumihar women. Raping has been so widespread that for the last few years it has become difficult to marry off girls from this village! Those who could afford it have sent their daughters to other villages.

Mild Resistance

The worm finally turned this year. Some mild resistance was put up here and there by the harijans but the landowners and the State immediately cracked down on them. The BSF and CRP were pressed into action and a wireless link was established with Patna. Eight harijans from Shahbajpur village were falsely implicated in various cases and arrested, even though their Bhumihar landlords themselves were ready to prove their alibis. Fifty-five so-called 'Naxalites' were arrested in Punpun police station itself and the ground was prepared for an all-out assault in the first week of June.

In Bhojpur district, the landlords and rich peasants are mostly Rajputs and Bhumihars and the landless and poor peasantry consist of Yadavs and harijans. Payment to labourers here has been in terms of land — 0.20 acres for foodgrains cultivation and 0.02 acres for sugarcane, for a year's labour. In recent years, however, the landowners have increasingly been taking away the land from the labourers and paying them below-subsistence wages in cash. In 1974 the labourers, under the leadership of Ram Pravesh Yadav, went on strike for higher wages. The landowners saw the spectre of 'Naxalism' in this perfectly open economic mass struggle and the CRP was called in to exorcise the ghost. The CRP came and camped in the house of one of the biggest landowners, Rajnath Rai, and launched terrorising sorties from there. On March 3, 1975, Chapra village under Piro

police station was surrounded by the armed police. On March 4, four harijans were caught and forced to be photographed with guns and then lined up and shot. On the 26th, Rajput landlords of Hadiabad village under Jagdishpur police station caught a landless peasant, Bisani Mahato, and burnt him alive. Earlier, on February 13, poor peasant, Rameshwar Yadav, had been shot dead. As usual, he was described as a 'Naxalite' and the government put out the routine story of an 'encounter with the police' and a 25 km chase. After this, six 'Naxalites' were declared as wanted by the police. Significantly, all of them were either harijans or belonged to other backward castes and were landless or poor peasants.

The propaganda about the 'Naxalite' bogey had been widespread in Bhojpur and the ground had been prepared for a burst of repression.

Offensive in Full Blast

On May 14, three poor peasants were killed in Dulanchak village under Sahar police station. The same 'Naxalites-killed-in-encounter' story was put out by the police. But, Baburam Chandawar, a Sarvodaya leader from Maharashtra who visited the village, was told by the local people that the three persons had been murdered in cold blood by landlords and the police. On the 15th morning, one Bachchan Ahir, who had gone to get medicine for his three-month old son, was declared a 'Naxalite' and shot dead by the doctor. His body was then pierced with spears by the doctors' kinsmen. The same night, Gopal Chamar, who was going to the fields to relieve himself, and Ram Pravesh Yadav, who had led last year's strike for higher wages, were shot dead by the CRP. The three corpses were brought to Arrah and only then handed over to relatives.

The landlords took heart from these incidents and the police and CRP really let themselves go. Several other poor peasants were either killed or injured and a complete reign of terror was let loose in the area. On June 1, the landlords launched their offensive in full blast; they set fire to several houses belonging to harijans in Hadiabad village and burnt one person alive. Restrictions were placed on people visiting the area; even the party led by Baburam Chandawar, which included an ex-MLA, was surrounded by the CRP and made to stand at bayonet point with their hands raised for several hours. News from the area was suppressed and the public was fed on press hand-outs about 'Naxalite atrocities' which the newspapers faithfully published.

When the government thought it had sufficiently vitiated the atmosphere with propaganda about 'Naxalites', it launched an all-out attack. The scene chosen was Masaurhi block in Patna district, close enough to the capital for the news to spread all over the state and reinforce the feeling of terror amongst all those who dared to even whisper dissent. Just to make sure that the people got the message, nearly 50 small armed police parties regularly parade through the streets of Patna. But, whether because the credibility of the government is pitifully low or because some stray journalists did not quite play the game, the desired effect has not been achieved. Terror has indeed spread; but the people are in terror not of the 'Naxalites' but of the government. What happened in Masaurhi was described thus by a special representative of the *Indian Nation*, a newspaper owned by the Maharajadhiraj of Darbhanga:

> "... The *karo ya maro* (do or die) task force of the BMP, set up in Masaurhi by the senior SP, was on usual beat in plain dress when, in the morning, they had a desire to have chicken for their lunch that day. They were camping in the nearby village Neyamatpur from which this [Musahari, harijan] tola is just a furlong away. They found quite a good number of chicken in the Musahari and approached some of the residents but a wordy duel ensued over the price of the commodity which started more flaving (sic) of tempers as it went on.
>
> "Soon someone from nearby house came out who was stated to be an outsider and he started arguing on behalf of the local Musahars. This led to further wordy duel and when BMP jawans threatened the man with their revolvers, they were greeted with a cracker from inside a house. The cracker hit a Neem tree which got partially burnt and the BMP jawans, alarmed at this sudden development, retreated to a nearby field which is about two metres from the Musahari den and took their positions. Consequently a regular cross-fire was started which continued till seven in the evening.
>
> "In the meantime a local policeman managed to slip down to Masaurhi P. S. to ask for reinforcements. The stationed CRP jawans were ordered to march (there is no road connection between this village and Masaurhi) and they reached the village at about 4 p m. By the time the CRP platoon at Dekuli was also ordered to march through a wireless message and before sunset about 300 CRP men encircled the battle-zone which covered about 20 thatched houses. But the villagers were shocked to behold the *modus operandi* of the CRP when in a bid to smoke the 18 Naxalites out of one house the jawans, they alleged, put all houses of the tola on fire after three of their colleagues were hit by the extremists' bullets. Then they scaled the roofs of the adjacement houses and opened LMG assault. The extremists, who by then were taking shelter inside the three-roomed house of Mohan Musahar, were cut down by the hail of bullets one by one.
>
> "When that house was also engulfed by blazing fire as they came out, their hands raised in a token of surrender almost naked, they were all shot down from point blank range which left almost all of their corpses disfigured...
>
> "The very look of the village, however, does not signify that it had served as a base to the Naxalites. The over-enthusiastic police officers, who were camping at Neyamatpur, took me to a long ditch covered by straws and said that the tunnel was meant for hiding Naxalites. But the ditch appeared to be a place meant for dumping garbage....
>
> "The entire village is free from posters of Naxalites although police claimed to have recovered a large number of Naxal literature from here...". (The *Indian Nation*, 7 June, 1975).

The Bihar Pradesh Congress Committee vice-president, Mungeri Lal, who visited the area after the incident with a team of other harijan and backward caste Congressmen and was gheraoed by the landowners and asked to go away, wondered how 'Naxalite' literature had survived a fire which had burnt even the butts of rifles.

Valiant Actions

By such valiant actions, such as the one described above, the government has been able to kill at least 30 so-called "Naxalites' and make the ground safe for landowners to deal sternly with their *raiyats*. Effective protest against such brutality is of course out of the question in semi-feudal Bihar where the bulk of the people are not aware of their democratic rights. The protests of Mungeri Lal, Javaprakash Narayan and a handful of harijan leaders are voices in the wilderness. And, if some journalists do not toe the line fully, the government can put up its own writers like B N Sinha, IPS, Deputy Inspector-General of Police in charge of the operations, whose extensive reports on 'Naxalite' activities have been prominently printed under his name in all the four dailies of Bihar. With such a policeman-journalist in action, poor and landless peasants and harijans cannot avoid being labelled 'Naxalites' and then being shot for being 'Naxalites'. The government has decided to freely provide firearms to the landowners of Bhojpur and Patna districts for use against 'Naxalites'. The 'Naxalite-hunt' is on in full swing. Today's 'Naxalites' are poor peasants, tomorrow's will be other dissenters — the tribals of Chotanagpur, workers in the various industries, students and youth all over the state. Thus is democracy being protected from the 'left adventurists' and 'right reactionaries', from 'fascists' and 'Naxalites', one and all!

NEW DELHI

The Fertiliser Muddle

B M

IT is an extraordinary situation. The government has been loudly bemoaning that in the wake of the increase in crude oil prices import of fertilisers was having a crippling effect on our balance of payments. And yet it has been suddenly discovered now that there is a glut of fertilisers in the country. Far more fertilisers, it appears, have been imported than was warranted by the demand for fertilisers. So it has been decided that further contracts for imports will not be entered into this year and that even imports against contracts already entered into will be phased out into the early part of next year.

The Petroleum and Chemicals Ministry woke up to the fact of excessive fertiliser imports when Indian manufacturers began to find it difficult to sell their output and unsold stocks began piling up with them. Some factories were even threatened with the prospect of having to close down temporarily. This led the Ministry to demand the temporary stoppage of imports till a better balance between supply and demand was re-established.

The Finance Ministry may view this development with a sense of relief. The Agriculture Ministry, however, appears to regard it as something of a tragedy. It put up stiff resistance to any suggestion of stopping imports of fertilisers and actually pleaded for the building of buffer stocks of fertilisers. It would not concede that its assessment of demand had been wide of the mark. Though consumption of fertilisers in the last two years has been well below 2.5 million tonnes, the Ministry had estimated requirements in the current year at between 3.6 and 3.9 million tonnes and had indented for imports on that basis. Promoting use of chemical fertilisers is the current fashion in the drive to step up agricultural production. Nobody wants to be out of step in this regard. Hence the estimates of demand which have little to do with actual requirements.

The question of releasing fertiliser marketing from bureaucratic management by the Agriculture Ministry has been hanging fire for a long time. It was agreed at one time that the task of promoting the proper and productive use of fertilisers, of recovering the cost of fertilisers from those who use them and of making the production of fertilisers profitable required that marketing of fertilisers be left to the producing units. This was actually done for some years and the Agriculture Ministry was left to handle the distribution of imported fertilisers only.

What the present glut of fertilisers signifies is that the absorptive capacity of Indian agriculture for high cost modern inputs is relatively limited. Nor can the pace of such absorption be forced without structural changes in agriculture. In any case, there is no point in artificially stimulating the use of fertilisers. If it is accepted that the growth of fertiliser consumption can be left to keep pace with the expansion of indigenous production, the fertiliser manufacturers can be entrusted with the marketing of what they produce without too many controls and regulations. This is probably one area where dismantling of price and distribution controls may be a move in the right direction, especially because a fairly large part of the production capacity is in the public sector. The Agriculture Ministry will have served the cause of raising agricultural production and productivity far better if it devoted itself to providing the more basic inputs like water, better seeds and extension services, including in greater use of organic fertilisers.

If the marketing of fertilisers has gone awry, the management of the fertiliser industry is in a no less messy state. The prolonged campaign to denigrate Indian technology in the fertiliser industry and to sap the morale and efficiency of the public sector fertiliser units is about to reach its climax. The campaign dates back to the time when it was decided to invite TOYO of Japan to launch a crash programme for establishing new fertiliser capacity, ignoring the claim of the Fertiliser Corporation of India that it could undertake this task on its own. The logic of inviting a foreign firm to set up new plants on a turnkey basis also required that the management of these plants would be kept outside the ambit of the FCI. Thus came up the idea of setting up a third public sector corporation, National Fertilisers, in addition to the existing FCI and the FACT. The next step in the offing now is to break up the FCI, not formally perhaps, as was originally proposed, but in fact by setting up regional directorates of the FCI which will manage and run groups of plants placed under their charge. The technical services division of the FCI may, meanwhile, be made an independent company which will be left to fend for itself in competition with other organisations, Indian and foreign.

The FCI may have grown too big and its management structure and system do perhaps require to be streamlined. But the manner in which the reorganisation of the FCI is sought to be done does not inspire confidence, especially considering the context in which the idea of reorganisation was first mooted. The FCI should have been taken into confidence and the matter should have been discussed fully and frankly with its management. In fact, the scheme of reorganisation was got ready without doing anything of the sort. The scheme and the manner in which it is being pushed are bound to have deleterious effects on the public sector fertiliser industry similar to those experienced in the steel industry as a result of the foisting of the steel holding company.

MAHARASHTRA

For Want of Popular Support

THE 37-day strike of Maharashtra government employees, including Class II gazetted officers, ended on a tame note. The strike was mainly for the restoration of DA at the Central rates, involving an additional expenditure of Rs 74 crores by the state government.

Maharashtra government employees number 5.50 lakhs, of which 50,000 are employees of zilla parishads. The state government employees are controlled by the Maharashtra State Government Employees' Confederation, while the zilla parishad employees are organised under the Maharashtra Rajya Karmachari Smanvaya Mahasangh.

The Maharashtra government had paid its employees DA at the Central rates upto January 1, 1973, after which date it discontinued doing so. As against the Rs 74 crores demanded by the state government employees, the Maharashtra budget for 1975-76 provides for only Rs 15 crores for additional DA. The government has also announced the appointment of a second pay commission and said that revised pay scales for government employees would come into effect from April 1, 1976 — on the calculation that the Assembly elections would be held the following year.

The Confederation and the Mahasangh launched their strike to press their demand not only for restoration of the principle of paying DA at Central rates but also for the arrears from January 1, 1973. Initially the strike covered the essential services as well. However, after the Chief Minister had issued a stern warning against the involvement of the essential services in the strike the confederation decided to exempt these services. The Chief Minister then set up a Cabinet subcommittee to deal with the strike and to negotiate with the leaders of the Confederation and the Mahasangh.

From the very beginning the government handled the strike very tactfully. The Chief Minister took the position that the government was "sympathetic" to the employees' demands but that it lacked the "financial capacity to pay". Unlike in the past, the government did not declare the strike illegal. Further, the government declared that it did not question "the legitimate right" of its employees to go on strike despite the Bombay Civil Service Rules under which government servants are liable to severe punishment, including dismissal from service, for indiscipline which covers going on strike. The Chief Minister also announced that the government would take no action against the employees, particularly Class III and IV employees, so long as they were peaceful. What was more, unlike on past occasions, the Chief Minister did not lay down any preconditions for negotiations and agreed to discuss the employees' demands even while the strike was on.

As the negotiations dragged on, the Chief Minister unilaterally announced that the state government was prepared to grant Rs 35 crores by way of arrears of DA. From March 1975 additional DA at 3 per cent was offered to those drawing upto Rs 221 per month, subject to a minimum of Rs 6 per month, and at 2 per cent to those drawing more than Rs 221 subject to a minimum of Rs 6.63 and a maximum of Rs 16. The government also announced that the last three DA increases sanctioned by it after January 1, 1973 would be merged in the total additional DA admissible from March 1, 1975. The government accepted the principle of neutralising the rise in prices, but did not agree to the Central rates of DA. As against the Central rates of 4.5 per cent and 3.5 per cent neutralisation, the state government offered 3 per cent and 2 per cent. The Confederation rejected the state government's offer and announced that it would not settle for anything less than the Central rates. The Mahasangh, controlling the zilla parishad employees, however, accepted the state government's offer and called off the strike from May 7, the 19th day of the agitation. Once the zilla parishad employees returned to work, state government became even more indifferent to the strike.

Class I non-JAS gazetted officers had a big hand in prolonging the strike. These officers have a separate organisation of their own. Taking advantage of the employees' strike, the Class I officers put forward their demand for increase of DA and announced that they would not help the authorities to cope with the strike situation. The officers' union resolved to organise mass casual leave by the officers in support of the employees' strike. The Chief Minister responded by tactfully separating the gazetted officers from the Class III and IV employees. Class I officers drawing salary between Rs 1,250 and Rs 2,350 were sanctioned additional DA ranging between Rs 130 and Rs 144 per month. As soon as the Class I officers got this unearned bonanza, as a result of the struggle of Class III and IV employees, they withdrew their threat to go on mass casual leave and their support to the employees' strike vanished into the thin air.

The strike of Class III and IV employees dragged on with the government sticking to its position that it did not have the capacity to pay anything more than what it had offered on May 7 — Rs 35 crores. Finally, the Confederation called off the strike without any further gain except an assurance that there would be no victimisation.

The Congress party in Maharashtra is completely rural-based and, with a few exceptions, all the Ministers hail from rural areas. The entire cabinet is of the view that as it is the salary burden on the state exchequer, at Rs 190 crores per annum, is too heavy. The DA demand would raise the draft on the treasury to Rs 265 crores annually while the Pay Commission's recommendations would add another Rs 60 crores from April next year. Thus, according to the government's estimate, the annual salary bill of the government would be about Rs 320 crores from the next financial year.

A significant lesson of the strike is that the unity, solidarity and strength which the employees demonstrated during their 37-day strike in the end proved of little avail. The most important reason for this is the failure of the employees' unions to mobilise popular support for their cause. As it is, the government servants' image in the urban and rural areas is not particularly attractive. In the eyes of the majority of the people, they are corrupt and do not discharge their normal routine functions unless they are bribed. In their anxiety to keep their strike nonpolitical, the employees' unions failed to win the support of the people for their demands. As a result the government was able to get the better of them in a war of attrition.

LABOUR

CITU's Political Failure

THE Third All-India Conference of the CITU, held in Bombay between May 21 and 25, bears testimony to many of the factors responsible for the CPM's inability to politically consolidate its trade union vanguard through their education in revolutionary theory and on the basis of a revolutionary programme. In fact, both the CPI and the CPM have failed in this crucial task with regard to AITUC and CITU, respectively.

Organised with much fanfare and poster publicity, around the slogan 'For Bread, Employment and Socialism', the conference was attended by about 3,000 delegates — a large number of them 'elected' from above. Nearly half of the delegates were from Bengal and Kerala — the two states which still account for the main base of the organisation and hence have a very high weightage in determining CITU's policies. After the usual rituals — homage to martyrs of the workers' movement, greetings to the 'fighting people' of Indochina, greetings to the Socialist countries, etc — the Conference settled down to a 'discussion' of the main issues on the agenda. In effect, this meant a series of speeches by CPM leaders on questions such as 'the present political situation and our tasks', political repression, unemployment, women, the consumer price index, workers' struggles, peasant movements, bonus, civil rights, wages, the food situation, the present recession, etc.

However, there was little attempt at analysis. Instead, there were statements such as: "The Congress Government's criminal policy of imposing the capitalist path on the country has landed the people into these difficulties and uncalled for sufferings". Such analysis as there was seemed hardly different from what leaders of private industry would represent: "... the recession in demand is the direct result of the continuous attack on the common man's purchasing power ...". Today's crises were thus explained not as necessary phenomena arising from the contradictions of capitalism but as artificial barriers to growth and prosperity erected by the Congress government, monopolists, landlords, and foreign capital. The best that could follow from such 'analysis' was a reformist strategy for the working class: overthrow the Congress government, nationalise foreign capital, expropriate the landlords, and there will be no crises and no objective necessity for socialism.

Indeed, the CITU leaders even demanded the lifting of credit curbs, etc, because "every measure of the government from wage freeze, ... inflation, to credit squeeze and new tax increases, is intended to throw the burden of the crisis on the working class and the people." The outcome of this confused approach was a programme of demands that lacks focus. Most of the demands are either unexceptionable or simply utopian in the present conditions: no closure or retrenchment, 'massive' rural employment schemes, full unemployment benefit, etc. To counter the capitalist crisis, the CITU leadership thus put up unrealistic or bourgeois demands, and wished for more militancy and greater unity among workers!

Militancy was indeed the main theme of many of the speeches on workers' victories and forward march. But the CITU leadership failed to acknowledge the fact of a downturn in the workers' movement since mid-1974, and failed to explain the causes of the setbacks and defeats. For example, the only explanation offered for the defeat of the railway strike was the 'betrayal' by the AITUC and CPI. Similarly, the only explanation given for the failure of the workers to resist the wage freeze was the 'corrupt' agents of the Congress in the trade union movement.

Most of the speeches, explanations, arguments, slogans, demands, remained at the level of the average worker: "the monopolists and employers are deliberately sabotaging production, increasing their profit". There were ritualistic and long-winded attacks on the 'Tatas and Birla's; periodic onslaughts against the Congress 'bourgeois landlord' government, which now wants 'one-party' rule and a 'semi-fascist' dictatorship; vigorous defence of the 'national interest'; sorties against the repressive and 'anti-labour' policies of the government; condemnation of the government's attacks on civil liberties, etc.

But neither did any coherent programme emerge, nor was there any systematic campaign to popularise the slogans through agitation on the basis of key demands. In their place was an appeal to the 'Left and democratic' forces to 'unite', and frequent appeals for trade union unity and struggle — a cover for the CITU's own failure in this regard.

The conference was a disappointment from the point of view of the militant worker-delegate. It is hardly likely that CITU will count the same number of working class militants in its ranks at the next conference. Yet, CITU, by contrast to AITUC has been the strongest, the most dynamic, and the best-organised union of the Left in a limited number of industrial centres. Its record has been impressive: a spectacular increase in membership nearly a million, in a mere five years, a series of successful 'capturing' of unions and plants which had been under the control of AITUC and INTUC; a relatively high level of efficiency in the performance of the trade union function in terms of a relatively better defence of the price of labour power; a partial recuperation of the losses it suffered in West Bengal in 1972; and its own establishment as a large, stable, organisation in Bombay with a few tens of thousands of members, etc.

The real key to these successes lies in the ability of the CPM-CITU leadership to present itself as a relatively cohesive, strong, well-organised, and (at least rhetorically) militant Left-wing alternative to the other flabby unions, in a period marked by economic crises and working class militancy — i e, 1970 to early 1974. CITU was thus able to attract a substantial section of working class militants in Bombay, parts of Kerala (where the Achutha Menon ministry too provided a strong and advantageous counterpoint), Bengal, and in a few other centres in the country, such as Kanpur. But CITU's crisis in the present period — more precisely since mid-1974 — consists precisely in its leadership's inability to retain these militants any longer, to unify their experience, to overcome their fragmentation, to consolidate their experiences further on the basis of political education, to generalise these into a programme of demands to provide an overall political focus for each atomised struggle for specific local demands, etc, just when the setbacks and defeats of the working class (culminating in the collapse of the railway strike) such political leadership was most necessary.

KERALA

Election Calculations

Apararka

WITH the elections over in Gujarat, the focus shifts to Kerala, where the Assembly elections are due in September. For the Congress, Kerala is a major test: if it can succeed there, it can be confident of doing well almost anywhere else. For, all that makes the Congress unpopular throughout India echoes louder in Kerala. Nowhere else in the country are the eruptions that result from the social system of uglier proportions than here — particularly the scourge of unemployment.

For the Opposition, too, Kerala is important, because this is one of the few states where the Opposition exists as a serious contender for power. However, many believe that a further five years of Congress-dominated rule in the state may destroy this distinction, through undermining the CPM as a mass party. Those who believe that the CPM as a unified mass force will not survive an election defeat in September, base their assessment on the following arguments.

First, the dominant character of the trade-union base of the CPM is petit-bourgeois and economistic, consisting mainly of subordinate white-collar workers. These people are with the CPM, it is argued, not for ideological reasons but because the CPM unions are the most successful in procuring wage increases. The effectiveness of the CPM unions would diminish sharply if that party is excluded from office yet again; and a sizeable portion of its trade union base might then desert it.

Secondly, so far, the intra-party struggle in the CPM has been kept under control, it is argued, by the prospect of gaining power soon again. Once this objective is defeated, intrigues against the EMS group will very likely intensify to the point of a split. The youth wing too — with its more extremist political philosophy — will be difficult to control once the tactical line of the leadership, which is now focused almost totally on coming to power through elections, collapses.

Thirdly, Kerala like the other states has its toughs, and, as is usual, these generally swim towards the party in office. Many of the toughs now with the Congress have been taking a dim view of that party's chances and have been defecting to the CPM. Should their hopes of a CPM victory prove wrong, they will cross over once again to the Congress — along with their fellow-toughs in the CPM. With the toughs thus ranged against the CPM, the ground would be ready for a Bengal-type assault against that party in Kerala.

This view, that the CPM kept out of power once again will be robbed of its strength too, is widely held both in the Congress and the CPI. It also forms the basis for these two parties' 'win at all costs' attitude — an attitude which has, in turn, created a similar psychosis inside the CPM. Were the Congress only mildly disunited, and had the Kerala Congress allied itself with it, defeating the CPM electorally would have been an easier task. As conditions are, however, the task is a difficult one.

Within the Congress itself, the fissures are wide and cannot be scaled. It is, in fact, quite likely that rival groups within the Congress will engage in mutual sabotage in the constituencies. The Youth Congress, too, may put in less than its best in the campaigning — thus robbing the ruling front of some of its best resources in terms of election workers.

Nevertheless, Congressmen are greatly optimistic — at least about the elections. They are confident that the two conditions — of a minimum of unity and the extension of the Front — can be arranged by July. Towards this end, the KPCC President, A K Antony, too, has shed his earlier inhibitions against combining with the Kerala Congress, and has moderated his strongly partisan line towards that party. However, differences between the Vayalar Ravi group and the Karunakaran group show no signs of narrowing. Every few days, there is a public outburst, which exposes the absence of inner-party unity. The latest of these was the criticism by the Youth Congress Treasurer of the police as a gang of 'barbarians in khaki' and of Home Minister Karunakaran for being 'unable' to to handle them. Karunakaran's group has retorted that the Youth Congress's 'holier than thou' attitude is hypocritical, since their main stalwarts are A C George, the Union Minister for Industry, and Vakkom Purushothaman, the state's Minister for Agriculture. George is known to be close to the church and its leaders, and to be a major source of funds. Purushothaman has been accused of nepotism and amassing wealth. Yet both of them grace most Youth Congress platforms.

The Karunakaran group represents the major hurdle in the Ravi-George group's bid to dominate in the KPCC; in their effort to cross that hurdle, the Youth Congress and the KSU are their major supports. They have also been trying — so far without success — to isolate Karunakaran by enticing some of his supporters away from him. For example, on June 5, A C George had a secret meeting with K C Adiyodi in which he told Adiyodi that he had nothing against him and that his differences were only with Karunakaran. Unfortunately for George, Adiyodi was not willing to forget the role he had played in the *Kaumudi* issue — although in their *tete-a-tete* George admitted his 'mistake' in having supported *Kaumudi* and forced Adiyodi to drop the case against the newspaper for making several criminal charges against him. The Eradi Commission now looking into these charges in open court, has almost completed its investigations (the last round will be between June 18 and June 28), and observers expect the judgment to clear Adiyodi. Ravi and George have had equally bad luck with the other Karunakaran supporters — particularly the eight DCC chiefs now ranged on his side — who are not willing to forget the personal allegations made against them in the recent past by the Ravi group.

Both George and Ravi have also fallen foul of the CPI — the partner of the Congress. The CPI is suspicious of George's very evident over-keenness to become CM, and of Ravi's antipathy to them surmised from a series of indiscretions on his part — the latest among these being Ravi's attack on T V Thomas, the CPI Industries Minister.

The Youth Congress, meanwhile, seems to be pursuing a curiously ambivalent and suicidal policy. For nearly two years, it has refrained from any popular movement or agitation, and its leaders have focused, instead, on the less exhausting method of press conferences to make their views known. The result has been a steady erosion of the support for the leadership among the cadres. Youth Congress leaders are by now well used to the benefits of power, and are not slow in taking advantage of it for postings and collections. They would find themselves seriously handicapped under a CPM-led regime; yet their political actions and inaction may well pave the way for such a regime. A massive election defeat would spell the end to Antony's career as well, yet he seems unwilling to wield his great influence on the youth wing.

This evident lack of the party's grip over the Youth Congress is the major factor preventing the Kerala Congress from joining the Congress-led front. The Kerala Congress has, on several occasions, had a difficult time at the hands of the KSU and the Youth Congress, and it would not want to repeat the experience. So far, none of those negotiating with it on behalf of the Congress has been able to still this fear.

Thus preoccupied, the Ruling Front has not done even the elementary spadework necessary to fight the elections. The CPI is trying to enthuse its activists through an 'anti-JP' stir — which has so far been confined to conducting a few camps and to wall-lettering in the major towns. The Congress is still busy with its internal bickerings, and the Muslim League has yet to recover from the bloodletting caused by the formation of the 'Rebel League'. The RSP and the PSP are political non-entities, and cling to the major parties of the Front for survival. The Ruling Front has not finalised its programme for the elections, nor the division of seats among the constituents.

The CPM-led front, on the other hand, has almost finalised its programme and has already allotted more than two-thirds of the total number of seats. As things stand, there is little doubt that the CPM-led front will have a lead.

NORTH

Irrigation without Water or Power

TO people in both Punjab and Haryana, the report that the Beas-Sutlej Project is likely to be further delayed by about two years, has come as a great damper. With power famines having become endemic in the region, the substantial power potential of this project — at least 105.5 MW for Punjab and 158 MW for Haryana — was looked towards for promoting agricultural and industrial expansion. But almost since the construction work on the project began, it has faced a chain of difficulties. These have ranged from shortage of coal and cement and the caving-in of part of a tunnel, to the failure of vital equipment and jealousies among the staff or inept handling of men and machines.

The new delaying factor is the intense 'go slow' practised by thousands of workers and lower-rank officers, who are worried over the prospect of becoming unemployed once this ambitious irrigation and power project is finished. The dismal experience of the staff engaged on Pong Dam — the first constituent of the project, the second being the Beas-Sutlej Link — has been enough to give substance to this fear among the vast body of workers who are on the project rolls. Pong Dam was completed in 1974, and the hundreds of skilled workers released thereafter have not been accommodated in employment as there has been no major hydro-electric scheme on hand. The technical hurdle in completing the 13-km long Pandoh-Baggi tunnel has also delayed operations, and fears are that it might be many more years before the scheduled quantities of water and power become available to the farms and factories in Punjab and Haryana. Meanwhile, costs have further escalated.

Meanwhile, the Punjab authorities are drawing up schemes in a reckless manner for digging tubewells all over Punjab. To be productive, these tubewells would require speedy and ample power supplies. Yet, even today, tubewells without power — or with severely restricted and irregular operational hours — abound in the countryside of this region. Between 1965-66 and 1973-74, the total number of tubewells in Punjab increased sharply, from 26,066 to 188,255; and the number must have gone up by another 8 to 10 thousand since then.

The State Electricity Boards of both Punjab and Haryana suffer substantial losses, too, because of the faulty system of measuring the power supplied to the tubewells. Little has been done to check the pilferage and the undercharging, though the proportions of the problem are known to be large. Tubewell owners in the rural areas of these states are, indeed, a pampered lot. The master-plan, prepared by the Punjab State Tubewell Corporation, to dig 1,900 deep tubewells at a total cost of Rs 25 crores proposed to be raised through loans, is another case of gross ambition. Although the construction of these wells is to be spread over eight years, the power requirements of the wells would be enormous — as the data for the 400 existing tubewells of this kind show.

The calculation is that the proposed tubewells would irrigate an additional 1.2 million acres and help boost the state's foodgrains output. The authorities have blithely assumed that the requisite quantum of power would be regularly available — an assumption that is totally unwarranted in the present and in the foreseeable future. The existing power supply, and the supplementary power expected to be generated in the coming months through various minor projects, would hardly suffice even the existing network of tubewells. What purpose would idle or underutilised tubewells serve — except perhaps to score another 'first' in terms of numerical achievement?

It is significant that, according to irrigation experts, much of the advantage now sought to be derived from the proposed Rs 25-crore investment on deep tubewells could also be ensured by lining the state's sizeable canal network. It is estimated that an additional three million acre-feet of water, sufficient to irrigate 1.75 million acres of agricultural land, can be obtained by lining the canals. The project is sound and eminently practicable. Jurisdictional and other disputes between the Soil Conservation Department and the State Tubewell Corporation are, however, stated to have stalled this alternative — underlying which, no doubt, are more material considerations about the different distributions of pay-offs from each project.

The power situation in Haryana is much worse, with long shut-offs for industry, as well as numerous breakdowns and back-outs. Haryana has been affected even more by the long delays in the completion of the Beas-Sutlej Project — on the basis of which project, however, the state government has already constructed several canals. Many of these canals today are dry for the greater part of the year, and several ambitious agricultural plans have gone awry. The state had 94,328 tubewells in 1972-73. The number now must be higher, even as the power prospects are dimmer.

sensitive position in which they are placed as the wives of detainees makes them particularly vulnerable to abuse and hostility. This complex of difficulties has led many wives to opt for a solution that conceals their relationship with a detainee This has its problems, however; because if a wife intends to visit her husband in prison or keep him supplied with food, she must present a document of verification of residence by a local official which can only be obtained by explaining the need. Therefore, to visit a husband means revealing one's identity as a detainee's wife. Some wives take this risk – especially those living in more friendly areas; others do not, and are compelled to sever connections with their husbands. It is a terrible choice, with little consolation to be found, whichever one is taken.

The prisoners are deprived of knowing anything about their prospects of release, and this constant uncertainty bears heavily upon the wives. With so many of them, hopes have turned to despair; and many in desperation have decided to give up waiting, to succumb to the pressures of society by suing for divorce and seeking the security of another marriage.

In the case of prisoners held on Buru Island, the government has a stated policy of permitting wives with their children to join their husbands. The vast majority of both husbands and wives have turned down this option, because of the arduous conditions on the island; also because educational facilities are so very limited. For those wives who have somehow managed to cope with their problems – in particular those with a higher level of education – the choice of going to Buru has been rejected. About 200 wives are now living in Buru with their husbands and 'are said to be happier than they were formerly. They are mainly women who had found their conditions as detainees' wives too desperate to manage and took the lesser evil, which at least offered them companionship in a family unit. There have been many reports of women having been cajoled into agreeing to go to Buru and of being told to choose between joining their husbands or divorcing them. There is no legal basis for this; but then many of the women do not know their legal rights, or are too frightened and vulnerable and therefore, easily succumb to such bullying.

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INTERNATIONAL AFFAIRS

The Price of Petrodollars

G P D

THE Suez has reopened. The more prosperous Arabs now overlook the canal. Oil fetches better prices. The galaxy of international leaders regard the smiling, satisfied, Arab statesmen more respectfully than ever. Never before had the politicians of both East and West made their Cairo-trips with so much awe and reverence. Suddenly the Egyptians have found themselves in the centre of international politics – to which Kissingers and Gromykos, or Chavans and Aziz Ahmeds, have to make periodical pilgrimages.

Indeed, the Arabs have never had it so good. Ever since Neguib's 'revolution', the Egyptians in particular have been looking for a 'status'. Nasser's non-alignment, and his *bonhomie* with Tito and Nehru and their joint prescription for world peace, appeared to give the Egyptians that status for a while. Unfortunately, as in the case of India, the feeling of being great was not to last long. Israel and Zionism were there to ensure that the Egyptians in particular, and the Arabs in general, did not forget their major problem: the problem of Israel and its aggression. Nasser died in the process of outliving the humiliation which Israel forced upon Egypt. His firm alignment with the USSR did not help him.

Nasser's successor is a clever, pragmatic, politician. As a pragmatic politician (and in the third world there is a special premium on such politicians), he knows that what can not be cured must be forgotten. Therefore, that the creation of the State of Israel itself is an unforgivable offence to the Arabs should be forgotten. From Sadat's point of view it is more relevant to emphasise that Egyptians have been able to 'recover' some of their own land in the Sinai desert in the last war. The entire publicity machinery was geared to make out that the recovery of parts of the Sinai was an epoch-making victory! The trick seems to have worked. The more inconvenient problem, of Israel and Zionism, is now to be quietly pushed into the background.

This is not the first time the Egyptians have forgotten inconvenient realities. They had forgotten, for example, that the Soviet Union was party to the creation of Israel. Joseph Stalin was not the type who would accept such arrangements of long-term significance for no reason. The Soviets had fundamentally little to lose by the creation of Israel. The 'radical' Arabs, led by Nasser, probably thought that it could be otherwise. Khrushchev did give the impression that he meant business in the Middle-East; and Kosygin and Brezhnev later seemed to echo his feelings. They appeared to regard the conflict in the Middle-East as part of the overall struggle against imperialism. Naturally, in the struggle against imperialism, there are no partial solutions. It is either a triumph, or a surrender, of imperialism. These 'appearances' were clearly a move away from the earlier Soviet posture on the question of Israel. The Egyptians, therefore, chose to ignore the position that Stalin had taken. After all, they could argue, Khrushchev was one man who had seen the mistakes of Stalin and Stalinism, more clearly than anyone else. One could attribute the early Soviet posture on Israel to that unmentionable deviationist, Stalin!

Over a period of time, the Egyptians have forgotten not only the Stalinist position but several other things as well. Maybe, 'forgotten' is the wrong word; they have probably not noticed them. And there has been lately very good reason for it. 'Money' is a good healer of many wounds – particularly of political wounds. The big powers, which virtually ran and still run the politics of the Middle-East, did so through the famous cold-war techniques. The Americans lorded it over Israel and the so-called conservative Arabs, and the Soviets lorded it over the so-called radical Arabs. For them, it was mutually-shared control of the Middle-East, through confrontation and cold-war.

Now the strategy seems to have changed. After all, confrontation had its own risks. The Soviet credibility in particular was being eroded everyday in the eyes of the world, and more particularly in the eyes of the so-called radicals of the Middle-East. It was increasingly difficult if not impossible to maintain the myth that the 'near-socialists' of the Middle-East, in co-operation with the first socialist State of the world, were seriously challenging the continuing Zionist aggression against the Arabs. There were clear signs that the credibility of the 'socialist' super-power was no longer what it was during the rosy late fifties.

The international system can scarcely afford that. The stability of the system depends upon preventing the contradictions between the two super-powers from being antagonistic. Tensions between them have got to be of manageable proportions. Kissingers and Gromykos have been trying to do that all these years. In the case of the Middle-East it seemed very difficult.

But it was not so. The Arabs needed, first of all, an apparently successful war with Israel to restore some of their self-confidence. The last war achieved just that. The moment that was achieved, the last rites of the war were performed by Moscow and Washington, jointly. The overjoyed Arabs, who had recovered their 'own' land, started shouting hoarse about their 'victory'. While they shouted, Kissinger and Gromyko silently brought some order into the Middle-Eastern scene.

The new attractive prices of oil were expected to make the new arrangement palatable. Strange as it may seem, the trick seems to have worked. The old-fashioned 'anti-imperialist' opposition, to Israel and its continued existence, is less and less talked about. The Palestinian Arabs are still homeless. But then you can always trust the powerful of the international system to provide for them somewhat. Quite understandably, for that reason, the PLO and its strong-headed leaders may have to behave. They will have to be tamed. The first steps in this direction have already been taken. Yasser Arafat has already addressed the UN. Hopefully he will learn the benefits of being a respectable, modern, UN-addressing statesman – rather than the ever-agile, rugged, guerilla leader.

The Suez Canal has been reopened against this background. Super-power dominance in the Middle-East was never more stable than it is today. Israel will continue to prosper. Zionism may still be alive and kicking. But then, the 'radical' and 'pragmatic' Arabs might argue that this is a small price to pay for the petrodollars. What

is radicalism, if not petrodollars and a little rhetoric?

It is not altogether fair to maintain that Sadat is the only one who would argue in this manner. The beauty of the present international system is that it is puting across a theory — that it is very much like modern capitalism: world dominance with a human face! There are many third-world politicians who are buying that theory. Sadat, at least, has the advantage that he is being paid for its acceptance. It is a decent and sensible business deal. He has got to count his petrodollars before he can address himself to more abstract problems, such as imperialism and Zionism in the Middle-East.

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Much Chaff in Hathi Report

D J S K

Report of the Committee on Drugs and Pharmaceuticals Industry; Ministry of Petroleum and Chemicals, Government of India, April 1975; pp 453, (mimeographed).

EARLY in 1973, there was considerable commotion on the role of the foreign units in the drug industry and government's support for them through what are called permission-letters and carry-on-business licences. There were innumerable questions and several discussions in Parliament, and government finally agreed to appoint a Committee, consisting of Members of Parliament, officials, and some experts, to review the working of the industry. After nearly one year, in February 1974, government finally appointed the Committee, heavily loaded with persons who were actually administering policy; besides six Members of Parliament, there were only one or two other members in the Committee who were not administrators.

The criticism, last year, had been directed against government's inaction and often tacit support to multinationals to perpetuate their stranglehold on the market and in the medical profession, and against the drug units making huge profits on limited production to meet the needs of about 10 per cent of the population without much investment or import of genuine technology on their part, the terms of reference of the Committee were very general. These were: (i) to enquire into the progress made; (ii) to ensure leadership of the public sector; (iii) to suggest ways for rapid growth of the Indian sector and regional dispersal of the industry; (iv) to regulate the flow of technology; (v) to ensure quality control; (vi) to look into prices; etc.

Though, in the terms of reference, there was no mention of the irregular expansion of the foreign units or of the support given to them by the bureaucracy in violation of the spirit and word of the Industrial (Development and Regulation) Act 1951, it was expected after the very specific statements in the Lok Sabha, made by C Subramaniam — who was then Minister of Industrial Development — that the Hathi Committee would enquire into the allegations which had been made. A subcommittee was thus constituted to study these.

The work of the Committee began with four sets of questionnaires sent to the pharmaceutical units in the organised sector, to manufacturers' associations, and to government departments. Yet, nowhere in the bulky report, have the data from these questionnaires been tabulated, analysed, or discussed. Instead, 220 out of the 450 pages contain tables providing data which had already been supplied to Parliament or were available with government departments. It is also strange that the Committee did not make use of the data which ought to be available with the DGTD. The remittances by the foreign units may not *appear* enormous, but the evil influence and the mode of operation of the whole industry as influenced by the foreign units — with negligible investments and fast accumulation of assets — typify the 'monstrosity' of the problem.

Perhaps such errors of omission or commission were inevitable considering the composition of the Committee: thus, instead of concentrating on basic issues, the Committee has filled the pages of its report with routine matters — such as the procedures for deciding about the manufacture of individual basic drugs and their formulations. But the wisdom, basic information, and assessments for suggesting such solutions were definitely inadequately available with the Committee. The Committee's efforts to understand the deficiencies of the present set-up and to evolve a better alternative are inadequate — as can be seen from the list of meetings mentioned in the Annexure to the Report. A report, prepared with such limitations, was bound to contain many flaws.

Quality Control

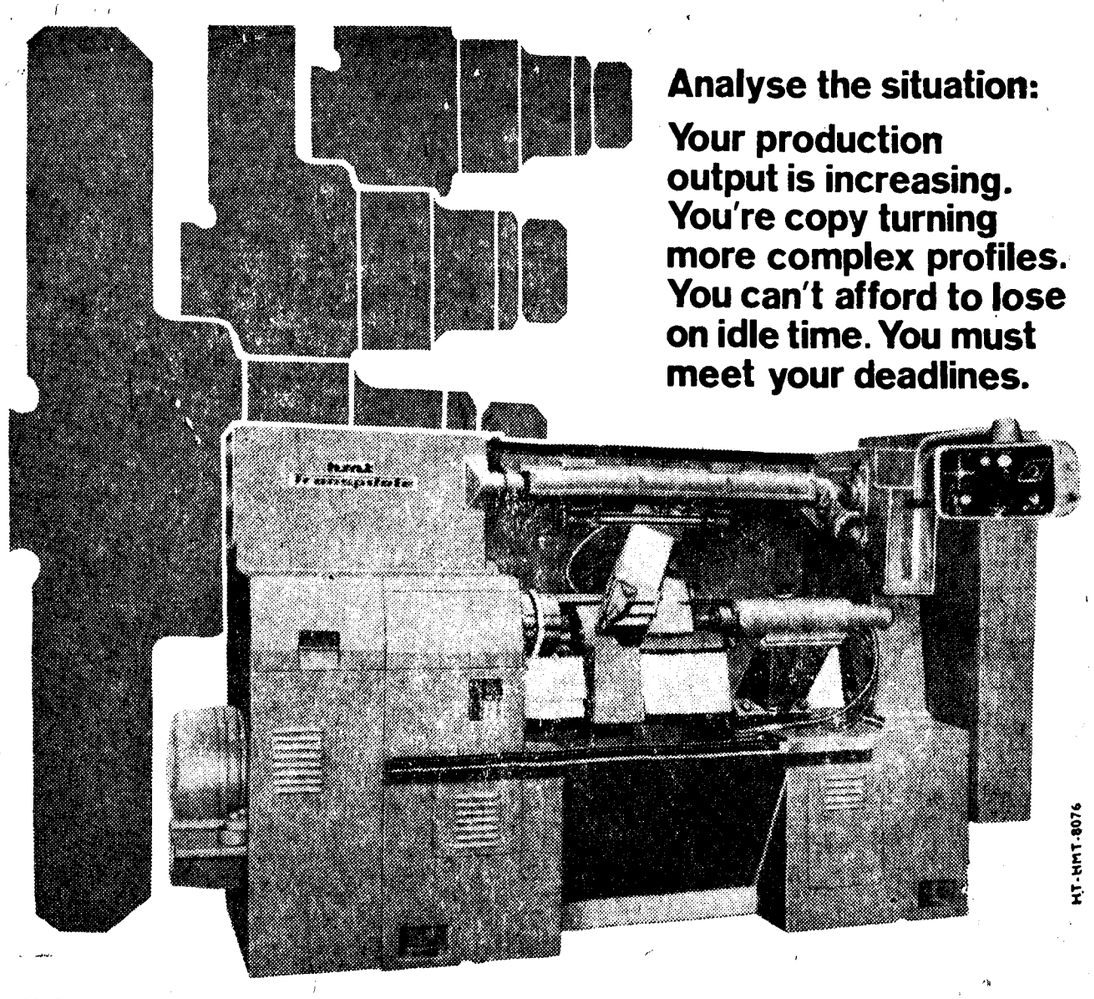
One of the terms of reference of the Committee was "to recommend measures for effective quality control of drugs and for rendering assistance to the small-scale sector units in this regard". A chapter on this extends into 110 pages. But it contains just complete reports, or extensive extracts from reports, prepared by earlier committees on the topic! If the reports of the earlier committees on quality control could not be implemented, or were not adequate to improve matters, the Hathi Committee's report — or future committee reports, for that matter — are unlikely to be any more effective.

While 50 per cent of the units in the small-scale sector are estimated to be fictitious, and are known to enjoy political patronage, how can the drug inspectors be expected to inspect the premises or enforce the drug laws? Indeed, even before the Committee started to function, the tragedy in Kanpur, in which the use of adulterated glucose drip had caused death, had occurred. Hence the Committee's hurry to give an *interim report on* 'quality control'. Though the chapter *on quality control* was submitted as an 'interim report' a year ago, till now no specific action has been initiated. On the contrary, the use of the interim report has been perverse — *viz*, since a committee is thought to be already looking into the matter the edge of the agitation in Parliament has been sufficiently blunted.

The general recommendations made in the Report for enforcing quality control would cost the government more, without at all improving the quality of the drugs in the market. Thus, it would be neither technically feasible, nor economical, to equip 3,000 units with trained men and expensive instruments — often imported — and have facilities to check the quality of about 50,000 formulations, sold at an equal number of chemists, without the requisite storage facilities. And all this, is proposed to be done for drugs serving 10 or 15 per cent of the population.

The Committee has, at the same time, failed to highlight the fallacies of the prevailing system, in which 3,000 units operate, nearly half of them parasitic and engaged in dubious activities (such as selling licences), and are nevertheless allotted bulk drugs. It merely laments the lack of co-ordination between the Central and the state Drug Control Organisations — which lament is typical of the bureaucratic bias in the Committee. That the existing drug control system is futile, is obvious to any informed citizen and is a great asset to the multinationals.

According to the assessment of the drug control authorities themselves, only two or three states have proper facilities to enforce the law. Even in these states, the degree of success has not been assessed seriously. Several states



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have no drug industry worth the name, and to expect them to incur high expenditure on quality control is impractical. The Committee has not suggested any rational and economically feasible alternative system for this purpose — as that would, of course, require a thorough reorganisation of the whole drug industry.

There are suggestions for drug purchase procedures for hospitals, which, again, are time-consuming and expensive. Centralisation of purchases for public hospitals, through four or five central stores, is economical. As pointed out by the Minister's note (in one of the Annexures), several hospital stores and their sterilisation services are not satisfactory, and the drug control authorities at the Centre and in the states are in no position, given the overall structure of the industry and the market, to make the regulations effective.

In the next chapter, in which a case is efficiently made out against brand names, it is repeated that effective quality control is the prime need. But the doctors' panel left it to other 'experts' to evolve the methods. In the same chapter, a list of 104 essential drugs is given. It has been pointed out that the plethora of formulations in the market — estimated at about 50,000 by some — has resulted in commercial racketeering. The implementation of licensing policy is responsible for having allowed this. But the report itself does not spell out any measures to bring order into this chaos in the medical system. Indeed, as long as present commercial practices yield unduly high profits, large-scale production of socially useful drugs is impossible. And even the public sector would aspire to similar commercial success.

Pricing

From the recent statements of the Ministers for Petroleum and Chemicals, government is first giving thought to the recommendations on pricing. The industry is enthusiastic about price revisions — which are likely to be upwards. A bulky confused report always leaves enough room for by-passing the more significant recommendations which are likely to disturb the present pattern. The many recommendations on which government is likely to spend time are ones which neither disturb the present structure nor achieve the often-repeated goals of a more socially-oriented drug industry.

The chapter on pricing is in fact very bureaucratic in approach. After explaining the sequence of events and the working of the Drugs (Prices control) Order, 1970, some recommendations are made on pricing procedures. It is recommended that "rigid control of prices of drugs and formulations had to be modified and selective increase in prices permitted on the merits of each case to take account of any substantial variations in the costs of materials including packing material"! There is no mention of price *reduction* in cases where arbitrarily high prices have been allowed. It is doubtful whether the Committee has seriously investigated the likely cost escalations by drug units and the scope there is for them to absorb marginal cost increases in individual items since the final formulations are already sold at exorbitant levels. It is estimated that the cost of Halopesidol in bulk is about Rs 4,500 per kg, while one kg of this active ingredient, when formulated, yields Rs 225,000! Even after some increase in the prices of bulk drugs, the margin on the formulations is so enormous that there is scope for a reduction in their retail prices. The industry, which is already highly profitable, should welcome the potential for price-rises implicit in the Committee's recommendations. Once there is the sanction of 'a high-powered committee', the bureaucracy, already in league with industry, can play industry's game with freedom.

The members of the Committee appear to be under the delusion that import of drugs can be reduced by a liberal pricing policy. At least in the drug industry, this is known not to happen. Equally fallacious is the presumption that higher production will enhance competition and eliminate the need for price regulation. It contradicts the Committee's own finding that the foreign units, with high-pressure sales promotion, sell their products at high prices and that production is governed by such demand as is effective at pre-determined margins and prices — and not *vice-versa*. The Committee further states, "it would still be necessary to have *some arrangements* to monitor and regulate where necessary prices of *important* drugs and formulations, with a view to ensuring that the drugs and pharmaceuticals industry does not generally act to the detriment of the consumer". Both the authorities in Shastri Bhavan and the drug industry will surely hail the approach of the Hathi Committee and the Ministry of Petroleum and Chemicals.

Another chapter — 'Development and Flow of Technology' — begins with the statement that: "The present structure of the drug industry being one geared to the market mechanism from which the vast majority of the Indian population is excluded, cannot serve the broad social goals envisaged. It is necessary in the Indian drug industry to identify a radically new direction to fulfil the social needs and enhance its technology efficiently. Technology is closely linked with its social role." But just a few paras later, the existing structure, and the progress achieved so far, are warmly appreciated. Item-wise, the status of technology (whatever it may mean) and the mode of import or of development, are enumerated.

Indian Sector

The private drug industry should have shown keen interest in the contents and recommendations made in the chapter on the Indian sector. 'Indian sector' is a misnomer, however. Some tables are very revealing — particularly Annexures I, II and III. Several of the foreign units in this sector were started with negligible capital, and the equity shares issued to the foreign shareholder against cash are negligible, but bonus and other payment — such as for technical knowhow — account for most of the foreigners' holdings.

In another annexure, a sub-committee's report on the issue of permission letters and carry-on-business licences is included. The Committee endorsed the sub-committee's report that the permission letters and COB licences were irregular and that they violate the IDR Act, giving undue advantage to the foreign units to the detriment of the Indian units. But it fails to suggest any action against officers responsible for the same, or to suggest ways of making sure that decisions of the administrators do not go against the objectives of the law.

The Committee has been very liberal in recommending extensive supply of bulk drugs to the (fake or genuine) small-scale sector as well as to the organised sector units, while at the same time recommending that bulk-drug producers — both in the public sector and in the private sector — formulate 50 per cent of their bulk products. There are only 30 or 40 units producing bulk-drugs today and, if 50

per cent of this production is allowed to be set aside for captive utilisation, how are the 3,000 units and public or joint sector formulation-units, in all the states, expected to get the bulk-drugs liberally, as proposed in the Report?

The Report appears to overrate the performance of the Indian owned units — both in the small-scale and in the organised sectors — though many ills arise from the political support to the small-scale sector units and from the strong urge of the units in the Indian organised sector to imitate the multinationals.

In the opening para of the statement by the members of the Committee who wanted takeover of the foreign units, it is stated, "The drug needs of every country are characteristic of the climatic conditions, social behaviour, and economic conditions in each society. The foreign units which evolve their policies for the rich countries in temperate climates, with radically different socio-economic conditions, operating in free market system, promote the same systems in India which are detrimental to the national interests."

Does the Indian organised sector behave differently from the foreign units? What steps have been initiated by the government to change the outlook of these units? Instead, public sector units are blamed for not following the foreign units' trail of success. The Hathi Committee, too, while it professes the need for a distinct approach, fails to give any shape to the alternative. This may be a role intended for the National Drug Authority if that body is ever set up. On two innocuous pages of the Report, a proposal to set up a National Drug Authority to perform 15 functions is described.

The Committee expresses the opinion that information on the drug industry in this country is meagre and not reliable. What about the information available with the DGTD?

Public Sector

Another aspect of the problem, which is vital, is the role of the public sector. The Committee was required "to recommend measures necessary for ensuring that the public sector attains a leadership role in the manufacture of basic drugs and formulations and in research and development". This narrow scope for the public sector is highly inadequate for fulfilling the social goals.

The reports of the task force appointed by the Planning Commission and the National Committee on Science and Technology are extensively reproduced in the Report. Such practice only leads to an exponential growth of documents without substantially adding to knowledge. However, there is also extensive discussion in the report of the items production of which can be taken up in the public sector. The production of basic chemicals and phytochemicals, used in the drug industry, is described in detail. There is a summary of recommendations attached to each chapter with 'additional recommendations' for the public sector.

The Committee was clearly appointed not because the government felt the need to assess the situation in the drug industry and find means of enhancing its socio-economic role, but because there were awkward questions in Parliament and debates in public about the domination of the multinational units and the tacit support government was providing them. But the entire exercise of the Committee has been just one more stalling operation. Though the operations of the multinationals stand condemned, the recommendations are not sufficiently adequate and do not have the necessary consistency to change the role of the drug industry in line with social needs. Though there are recommendations — such as the constitution of a centralised body (the National Drug Authority), organising of a data bank, assigning of production responsibility, monitoring of production, import of basic drugs, intermediates and technology, co-ordination of research, arrangement for the distribution of bulk-drugs and formulations, and support of the industrial units to perform the assigned duties in order to get the necessary government sanctions and material inputs — it is doubtful whether these would attract the attention of the government. It is more like that government will preoccupy itself with the many inconsequential recommendations of the Committee.

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Agrarian Unrest and Economic Change in Rural Bihar

Three Case Studies

Pradhan H Prasad

Agrarian unrest is one of the most potent motive forces of social and economic change in predominantly rural societies, such as ours. Sometimes the changes are brought about by the positive force of the agrarian movement itself. In some other situations, the changes are the result of the influence of classes which are not directly involved in the movement. In yet other conditions, the changes are due to the response of the ruling classes in the form of a combination of repression and reform.

The present study attempts to analyse the impact of agrarian unrest in some parts of Bihar. The areas studied are Musahari in Muzaffarpur district, Turkaulia in Champaran district and Tundi in Dhanbad district.

IT has been found that in predominantly rural societies, such as ours, one of the most important motive forces of social and economic change is agrarian unrest. Sometimes the changes are due to the positive force of the agrarian movement itself. In some other situations, the changes are determined by the influence of classes which are not directly involved in the movement. In yet other conditions, the changes are due to the response of the ruling classes — a combination of repression and reform. The present study attempts to analyse the impact of agrarian unrest in some parts of Bihar which is the second most populous state in India.

Bihar accounts for about 5.6 per cent of the country's land area wherein it holds about 10.3 per cent of the the country's population. It is predominantly an agricultural economy in which the percentage of rural population is as high as 89.96. Among workers, the percentage working in the agricultural sector in 1971 was about 82.26 in Bihar as against 69.67 per cent for the country as a whole. But it accounted for only about 6.0 per cent of the country's net area sown, about 7.6 per cent of gross area irrigated, about 6.8 per cent of gross area sown and about 7.4 per cent of the value of output (average for the period 1967-70). As its share in the value of manufacturing enterprises in 1967-70 was only about 6.7 per cent, it is no wonder that its per capita income remains about two-thirds that of the country's.

The agricultural sector of the economy, by and large, is characterised by the semi-feudal aspect of the existing mode of production,[1] wherein the direct producer's households can be categorised in three classes as follows. There are those who either cultivate land mainly with the help of their family labour and at the same time supply labour to the other cultivating classes or merely supply labour to the other cultivating classes. These are the poor peasants (inclusive of the landless ones). Another category consists of those who are self-employed in agriculture, cultivating land mainly with the help of their family labour. They are middle peasants. The third category is that of rich peasants who are self-employed in agriculture, cultivating land mainly with the help of labour from outside their own family but also supplying manual labour to their own agriculture. Some of the poor peasants 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 or both. But there are others who do not own even homestead land. A sizeable section is landless.

The bulk of the poor peasant households are deficit ones in the sense that their bare minimum consumption expenditures exceed their incomes. This forces them to take consumption loans from the landlords and the rich peasants. The stipulated rates of interest on these loans are sometimes very high. Leave aside the principal, even the full payment of interest is beyond their means. The creditors, however, do not always insist on full payment even in the long run. More often they force the debtors to sell their assets (mostly land) to them but rarely for complete discharge of the debt obligation. They use this debt obligation to force upon the poor peasants an informal bondage and, therefore, a system of unequal exchanges thereby deriving enormous economic benefits such as cheap and assured labour, better terms for leasing-out land, acquiring poor peasants' land at a very cheap rate, benefits obtained through what is commonly known as "distress sales" and profits from trafficking and sale of women, etc. The informal bondage is also enforced by leasing-out tiny bits of land and providing homestead lands to the poor peasants.

The enormous economic power which gets concentrated in the process in the hands of the landlords and the rich peasants makes them politically powerful and thus allows them to dominate over the social and economic activities in the area. They claim the bulk of the benefits that flows in the area in the name of developmental activities of the government. They pay less to the poor peasants than what is legally due to them. It is so clearly reflected in the poor peasants invariably earning less at the place of the person from whom he regularly gets consumption loans or from whom he leases-in land or obtains some dwelling space, than at other places for the same kind of work, even when at the latter place the rate of payment remains less than the legally stipulated rates. It is no wonder that landlord and the rich peasant classes shun rapid development in the area because it is likely to improve the economic condition of the poor peasants who can thereby free themselves from the bondage.



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TABLE 1

(Percentages)

	Area to Total Area in Bihar	Population to Total Population of Bihar	Literate Population to Total Population	Workers to Total Population	Cultivators to Total Workers	Agricultural Labourers to Total Workers	Cultivating Households Operating with: Less Than 1 Acre	Cultivating Households Operating with: 1 Acre and More but Less Than 2.5 Acres	Leasing-in Land
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Bihar	100	100	19.94	31.03	43.34	38.92	21.56	26.67	32.10
Muzaffarpur District	4.50	8.58	17.33	29.43	40.97	46.63	39.66	25.22	31.03
Musahari Block	0.11	0.22	18.42	30.81	27.96	53.00	45.00	24.96	28.60
Champaran District	5.28	6.28	14.16	33.89	35.58	54.28	25.68	29.45	44.98
Turkaulia Block	0.17	0.25	11.49	33.73	33.69	59.70	21.78	29.89	41.15
Dhanbad District	1.72	2.60	29.51	33.73	23.22	11.86	16.63	41.27	11.87
Tundi Block	0.22	0.12	25.83	43.54	51.46	31.02	11.34	40.02	9.21

Source: Columns 1 to 6, Census of India 1971; Columns 7 to 9, Census of India 1961.

It was against this objective condition of coercive set-up of semi-slave living for the vast mass of people, when the social consciousness of the poor peasants was aroused, one found the eruption of movements by the poor peasants after the mid-sixties of this century in some parts of rural Bihar. Though as a class they were altogether different than the peasant movements of earlier days in Bihar, amongst themselves also they were not all alike. They did not always follow the same strategy and tactics. They generated different levels of spontaneity and people's participation and, therefore, they progressed differently. Militancy, however, was common to all such struggles.

The present study attempts to analyse the situation in three pockets of rural Bihar in the context of the movements by the poor peasants and the consequential changes therefrom. One such pocket is the Musahari Block located in Muzaffarpur District and another is the Turkaulia Block located in Champaran District. Both are in North Bihar and they are densely populated areas compared to the third pocket which is in the Tundi Block of the Dhanbad District situated in the plateau region of South Bihar (Table 1). Tundi Block also has a tribal population which is about one-fourth of the total population of the Block. Some of the characteristics of these areas are brought out sharply in Table 1. The plateau region shows a significantly higher percentage of literacy and participation rate and a lower dependency on agriculture than the other two. Dhanbad district is in the coal mining belt and, therefore, has a high proportion of non-agricultural activity. But Tundi falls in the agricultural belt of the district and has about 82 per cent of its workers engaged in the agricultural sector which is almost the same as Bihar's percentage and is slightly more than that in Musahari. The percentage of small cultivators seems to be highest in Musahari followed by Turkaulia. The percentage of households leasing-in land, on the other hand, is highest in Turkaulia followed by Musahari. These percentages are lowest in Tundi and lower than in Bihar as a whole. All the three Blocks are situated very near the district headquarters and are thus subjected to quite a considerable amount of urban influence. In Dhanbad, however, agriculture co-exists as an economic activity with widespread mining and therefore, having been in contact with proletarianised labour, agriculture in the area has acquired distinctive characteristics.

The movement that erupted in Musahari under the leadership of Rajkishore Singh started with the killing of some of the oppressive landlords and forcible harvesting of the fields of the big peasants and landlords. The guerilla squads consisting of poor peasants intensified their activities and by the early seventies were able to give a severe jolt to semi-feudalism and, therefore, the movement quickly came into clash with the state power and the police. Following this, in the month of June 1970, Jayaprakash Narayan came and camped in the area for about a year with a view to reviving the Sarvodaya movement and to "demonstrate through positive action how the challenge of violence could be used to speed up the process of non-violent social change and reconstruction that Vinobaji had initiated through his Gramdan-Gram Swaraj Movement".[2] He claimed that his was "a fight for social and economic justice".[3] In order to tackle the problem of rural violence arising out of such a situation he also sought the active support of the law and order machinery of the government. He was explicit in his view that the law-and-order aspect of the movement "should be solely the concern of the government which alone has the authority, duty and resources to protect the lives and property of citizens".[4] The government's co-operation was made available and the movement as a 'law and order problem' was contained because of the superior military might of the state power. Massive repression was let loose on the poor peasants. Rajkishore Singh was 'eliminated'. The decks were cleared and the Sarvodaya workers "put in motion a process of resolution of conflicts and problems by mutual adjustment leading to a juster and better social order"[5] with the support of organisations like Association of Voluntary Agencies for Rural Development, FAO's Freedom From Hunger Campaign and numerous development agencies of the state and Central government. More than three years have passed since then. When we undertook the survey in 1974, the Sarvodaya office provided us with a list of 100 villages where, according to office information, Gram Sabhas has been constituted and suggested to us the names of three villages whose performance, according to them, was very good. These are Madhopur, Burhnagra Radha and Tarwara Gopalpur. This constituted our sample for Musahari Block.

The organisation leading the poor peasant movement in Turkaulia is not autonomous. It is a wing of the All India Kisan Sabha which is a peasant organisation functioning under CPI(M) tutelage. In its short span of existence of about six years time the organised poor peasantry have successfully mounted pressure on landlords and

rich peasantry by resorting to strikes for higher wages, public meetings and demonstrations to protest against and unlawful and exploitative actions of the rural rich and sometimes armed intervention to prevent eviction of share-croppers. But the struggle has never been a one-sided affair. There have been frequent police interventions leading to poor peasant participants being killed and sent to jail on framed-up charges. The clashes between landlords and poor peasants have resulted in deaths and injuries on both sides. The continuation of this movement in this form is due to sustained political work by Ramashray Singh who is a member of the CPI (M). Earlier, after a term in jail, he had joined the 'extremist' dissenters from the CPI(M) but returned to the parent party. He suggested the names of six villages where, according to him, there is a strong sustained movement of the poor peasants. We selected two of them, Bhela Chhapra and Semra Tola Hat, for the survey.

The poor peasant movement in Tundi and neighbouring areas is of recent origin. It is a sustained militant movement under the leadership of Binod Bihari Mahato and Shibu Soren. The latter is a tribal. Though the tribals constitute the largest single ethnic group in the region, their population does not exceed 30 per cent. The non-tribal poor peasants are also actively involved in the movement. The movement so far combines in itself mass militant struggle for restoration of illegally alienated lands to the poor peasants with social reform measures such as an effective drive against the widespread drinking habit among the rural poor (which was one of the main causes of their ruin in that area) and a literacy drive. By deciding to repudiate debts to the moneylenders, the movement has succeeded in wiping out the indebtedness from among the poor peasants of the area. The movement is under attack from landlords, moneylenders and the district functionaries of state power. They, along with the propertied class of the urban areas, have raised the bogey of 'Naxalism'. The police repression is massive. Poor peasants are being implicated in false cases. Shibu Soren has been declared an outlaw. In spite of these hurdles, the movement is sustained and has engulfed more and more villages. Some of these villages have taken to joint cultivation, have organised their own courts and have launched constructive programmes such as construction of bunds for irrigation and fisheries, construction of community cattle sheds for raising of stock and running of schools. The area shows remarkable development without any inflow of resources from outside. Out of the seven villages suggested to us by activists in the movement, we selected two, Bastikuli and Palma, for the survey.

The village profile of the sample villages as it stood in 1971 is given in Table 2. All the three sets of villages show identical participation rates and are predominantly agricultural. The sample villages of Turkaulia, however, shows some notable activities also in manufacturing, processing, servicing and repairs, trade and commerce and other services. The availability of cultivated land per worker in agriculture is highest in the sample villages of Turkaulia followed by that of Tundi. Though we had decided to survey all the households in the sample villages, it could not be done. In Burhnagra Radha only one Tola (hamlet) could be surveyed. No informant was available for a few of the households even after repeated attempts. Thus, the number of households that could be surveyed was 328, 206 and 158, respectively, in the sample villages of Musahari, Turkaulia and Tundi. The present state of affairs as revealed by the survey is given in Tables 3 and 4.

The percentage of households directly engaged in agriculture, that is, peasant and landlord households, is 78.65, 73.78 and 99.37, respectively, in the villages of Musahari, Turkaulia and Tundi. Thus, agriculture remains the main occupation in these areas and the attempt on the part of the Sarvodaya movement in Musahari to provide gainful employment there in occupations other than agriculture by promoting area development programmes and setting up village industries has yet to achieve a success.

In the villages of Musahari and Turkaulia, poor peasants constitute the majority of the households followed by other peasant households. In Musahari, the distribution of agricultural households is 57.75 per cent poor peasant, 36.82 per cent other peasant households and 5.43 per cent landlord households. These percentages in Turkaulia are 52.63, 28.28 and 19.09, respectively, whereas in Tundi there are no poor peasant households now and other peasant households form 94.90 per cent of the agricultural households. The percentage of landless households in the villages of Musahari, Turkaulia and Tundi are 34.45, 24.75 and 0.63. Among the landowning households those owning less than one acre in villages of Musahari, Turkaulia and Tundi are 51.16, 33.54 and 14.64 per cent, respectively, whereas the percentage of those owning one acre or more but less than 2.5 acres are 15.34, 33.54 and 18.47, respectively. The landlessness among the poor peasant households was highest in the villages of Musahari followed by Turkaulia. Thus, whether we take account of distribution of land or landlessness among the households or the proportion of poor peasant households, the villages of Musahari are found to be worst followed by those of Turkaulia. It seems that the distribution of Bhoodan land also could not do much in the direction of removing the unevenness of land distribution. Only 28 households received Bhoodan land in the villages of Musahari. The average land per household which was received under Bhoodan was about 0.3 acres.

TABLE 2

Sample Villages of	Population	Percentage of Workers in Total Population	Percentage of Cultivators to Total Workers	Percentage of Agricultural Labourers to Total Workers	Percentage of Workers in Manufacturing Processing, Servicing and Repairs	Percentage of Workers in Trade and Commerce	Percentage of Workers in Transport, Storage and Communication	Percentage of Workers in Other Services	Cultivated Land Per Worker in Agriculture (in) Acres)
Musahari Block	4997	28.30	32.44	64.48	1.80	1.17	0.94	1.49	1.01
Turkaulia Block	1868	28.47	32.89	45.67	5.45	10.15	1.69	4.13	1.69
Tundi Block	792	28.40	26.66	71.11	nil	0.88	nil	1.33	1.27

Source: Census of India, 1971.

Here also the donees did not always come from poor peasant households and about half of those who received Bhoodan land were not landless. In some cases the overlords saw to it that the donated lands were distributed among the households who were under informal bondage to them. It was found that among the poor peasant households who received Bhoodan land as donees, the percentage who continued to work at the overlords' place on the same terms as before was 48.14. It seems, therefore, that the overlords have again acquired a good grip over the people of the area.

On the other hand, it becomes clear that the restoration of illegally alienated land to the poor peasants, redistribution of land resulting in joint cultivation and also social reforms undertaken in the villages of Tundi have not only abolished landlessness from the area and transferred the bulk of the households from the status of poor peasants to that of poor-middle peasants, but have brought about a situation where no household is a deficit one. Thus these households are not *now* taking consumption and seed loans. Whereas in the villages of Musahari and Turkaulia, out of the poor peasant and non-agricultural labour households, those regularly taking consumption and seed loans happened to be 58.50 and 87.78 per cent, respectively. Similarly if one examines the structure of leasing-in land[6] (Table 4), one wonders if it is not being used for the purpose of maintaining a grip over the poor peasant households. In almost all the cases those leasing-in land are required to pay 50 per cent of the gross output in kind as the share of the landlord when the legally stipulated share is only 25 per cent of the gross output. The large bulk of the households leasing-in land are poor peasant households and most of them lease-in less than one acre of land. Among the poor peasant households leasing-in land, the percentages of such households who do not own any land are 43.33 and 35.71, respectively, in the villages of Musahari and Turkaulia. Leasing-out small bits of land to households which are economically weak and, hence, incapable of maximising the output from the land, results in the reduction in direct gain to the landowner from leasing-out land. Even then it is widely practised. This being so, there must then be more indirect benefits in such a scheme of things than the direct benefit which is lost by not leasing-out to such farmers as have the capacity to produce more and pay more in a land scarce situation. One indirect benefit is clearly indicated in the villages of Musahari. About 58.48 per cent of poor peasant households get less payment at the overlords' place than elsewhere for similar jobs. In most of the cases the payment at the overlords' places is less by 25 to 33 per cent. The situation is much less exploitative in the villages of Turkaulia where only about 5.00 per cent of poor peasants suffer this fate. Thus it may be concluded that informal bondage seems to be widespread in the Musahari area and has been somewhat reduced in Turkaulia.

TABLE 3

		Sample Villages of		
		Musahari	Turkaulia	Tundi
(1)	Poor peasants and non-agricultural labour households			
	(a) Number of poor peasant households	149	80	nil
	(b) Number of non-agricultural labour households	51	12	nil
	(c) Total number	200	92	nil
	(d) Number regularly taking consumption and seed loans	117	78	nil
(2)	Other peasant households			
	(a) Total number	95	43	149
	(b) Number regularly taking consumption and seed loan	54	32	nil
(3)	Landlord households			
	(a) Total number	14	29	8
	(b) Number regularly taking consumption and seed loan	8	23	nil
(4)	Rest of the households			
	(a) Total number	19	42	1
	(b) Number regularly taking consumption loan	10	19	nil
(5)	Number of households owning			
	(a) No land	113	51	1
	(b) Less than 1 acre of land	110	52	23
	(c) 1 acre and more but less than 2.5 acres of land	33	52	29
(6)	Number of poor peasant and non-agricultural labour households owning			
	(a) No land	103	33	nil
	(b) Less than 1 acre of land	80	30	nil
	(c) 1 acre and more but less than 2.5 acres of land	13	23	nil
(7)	Total number of households	328	206	158

In the wake of sporadic poor peasant movements in different parts of Bihar, attempts were made by the ruling classes to promote reform measures for weakening class antagonism. One such attempt was a drive launched by the Bihar government to give legal ownership right to almost all the rural poor at least with respect to the homestead lands. The attempt was to ensure that every "privileged person" received his homestead *parcha*, that is, prescribed official forms stating the area of the homestead and granting of permanent tenancy in it to the "privileged person" concerned. This was sought to be done ostensibly to make such "privileged persons" independent of the overlords' obligation. In the area covered by the Sarvodaya movement, considerable progress seems to have been made in respect of distribution of *parchas*. About 45 per cent of the poor peasant households received *parchas* in the villages of Musahari as against only about 5 per cent in the villages of Turkaulia. Regrettably, however, in the villages of Musahari, to about 85.07 per cent of those who received *parchas*, it did not make any difference to their conditions of work at the overlords' place. They not only continued to work at the overlords' place but the terms and conditions of work and payment continued to remain as before. This is yet more evidence to show that semi-feudalism, which got a shake-up in the wake of the poor peasant movement in Musahari, has staged a comeback.

There is more evidence to show that the landlords and rich peasants enjoyed considerable influence in the wake of the Sarvodaya movement in Musahari. Let us take a few of them. The Sarvodaya movement has launched community irrigation schemes. One such scheme was in Madhopur. Even here the major benefit was claimed by the landlords and rich peasants. The percentages of land of the poor peasant, other peasant and landlord households, irrigated by the scheme were 19.70, 79.39 and 94.24, respectively. The Sarvodaya movement also launched a drive to distribute hand pumps to the poorest at subsidised rates mainly with the objective of providing them with drinking water facilities and also providing them facilities to irrigate the little land that some of them have. It is possible to irrigate about 1/3 acre of

TABLE 4

		Sample Villages of		
		Musa-hari	Turkau-lia	Tundi
(1)	Number of poor peasant households (without land) leasing-in			
	(a) Less than 1 acre of land	10	8	*nil*
	(b) 1 acre and more but less than 2.5 acres of land	1	1	nil
	(c) More than 2.5 acres of land	2	1	nil
(2)	Number of poor peasant households (with land) leasing-in			
	(a) Less than 1 acre of land	12	15	nil
	(b) 1 acre and more but less than 2.5 acres of land	5	1	nil
	(c) More than 2.5 acres of land	nil	2	nil
(3)	Other than poor peasant households leasing-in			
	(a) Less than 1 acre of land	12	5	nil
	(b) 1 acre and more but less than 2.5 acres of land	8	4	nil
	(c) More than 2.5 acres of land	5	3	nil
(4)	Number of poor peasant households			
	(a) Working only at overlord's place	3	27	nil
	(b) Getting less payment at overlord's place than elsewhere for similar jobs	87	4	nil
	(c) Getting same payment both at overlord's place and elsewhere	1	43	nil
(5)	Number of poor peasant households who			
	(a) Received *parcha* for homestead land	67	4	nil
	(b) Continued to work at overlord's place on the same terms as before even after getting the *parcha*	57	nil	nil

land by hand pumps. Here also major benefits went to classes other than the poor peasants. Out of 35 hand pumps distributed only 14 went to poor peasant households and the rest to the other peasant, that is, middle and rich peasant households.

In view of the aforesaid, in spite of the fact that some technological improvement came about and some so-called 'rights' were made available to the rural poor in Musahari as a residue of the measures undertaken to suppress and subvert the poor peasant movement, by any reasonable standards, it cannot be said that the Sarvodaya movement is even remotely leading to anywhere near social and economic justice. The power balance has once again been tilted against the rural poor. On the other hand, the rural rich, who have again grown economically and politically powerful, have pocketed the bulk of the benefits arising out of the development work in the villages of Musahari under the overall guidance of the Sarvodaya movement. Whatever little benefit that accrued to the poor peasant and non-agricultural households was made available to them under the express direction of the overlords, thereby giving an impression that the overlords were their saviours. The power of the rural rich is so overwhelming that none of the laws meant for the benefit of the poor peasant; (such as the Minimum Wages Act and the Land Ceilings Act) could be enforced as yet. The landlords even today deny legal rights to sharecroppers. The approach of "*conversion by gentle persuasion*" and of "resolution of conflicts and problems by mutual adjustment leading to a juster and better social order" has failed in Musahari.

On the other hand, in the villages of Turkaulia the semi-feudal bondage is less in evidence. Turkaulia is now on a relatively higher wage level than its nearby areas. Cases of discrimination in the context of payment of wages are few and far between. But as the movement remains by and large within the bounds of the petty bourgeoisie, it has failed to bring about any significant change in land distribution in the area and hence is not able to provide sufficient dynamism in the agriculture sector so as to wipe out the deficit from the poor households. Leasing-out land in small bits to those who are economically very weak is still in practice. Even then the movement has a future. With each successive struggle the consciousness of the poor peasants is increased. They realise the unjust and oppressive character of state power. Class consciousness and class antagonism are developed.

The poor peasant movement at Tundi is a stage ahead of the movement at Turkaulia. It has successfully defied state power so far. It has not only retrieved the illegally alienated land and redistributed it among the poor peasants but has launched joint cultivation and community irrigation programmes thereby expanding the gross area sown and raising agricultural production. Until the agricultural year 1973-74, they were having only one crop, i.e, kharif paddy, in the villages. This year they jointly cultivated and harvested wheat on 15 acres of land and there is standing summer paddy on 75 acres of land. The area sown more than once is now 15 per cent of the net area sown. The activists in the movement now propose to go ahead with the reclamation of land for cultivation. The various measures which have been undertaken have not only improved the economic condition of the poor peasants and transformed them to the category of poor-middle peasants but have given them something more — a fresh and free air to breathe. The jungles are being preserved. Livestock is being raised with enthusiasm and devotion. They now know what freedom and democracy really means. It is now an area which knows no scarcity — though it knows no peace either. State power continues to mount pressure. In no time military and para-military forces are likely to be called into action. This has not been done so far. There are reasons for it. The mining areas were virtually ruled by the big bourgeoisie of Calcutta with the active help of *goondas* who sustained a reign of terror in the area. They were supported by the state power and as such the operations of public sector coal mines were no different from private mining operations in this respect; nor has the subsequent nationalisation of all coal mines made a difference. But the mine workers, realising the weaknesses of their isolated struggles, have created a substantially strong organisation of the working class in the area. The *goonda* menace got a setback. This has also emboldened the urban middle class to demand protection against the ruthless exploitation by big business and traders and from their *goondas*. Sometimes some honest and straightforward administrator takes note of these things. This has happened recently in Dhanbad. The Deputy Commissioner, the head of the district administration, has swung his weight in favour of the aspirations of the middle classes to transform society so that the existing set-up is made as tolerable and comfortable for them as possible. There is strict and efficient enforcement of rationing. Some of the co-operative enterprises have shown some vitality. Prices of some of the commodities consumed by the urban middle class have shown some downward trends. The illegal activities of some of the parasitic elements of society have been curbed. As this present, temporary (?) efficiency of the district administration provides sufficient pin-pricks to the big business-big trade combination in the area, it has little time and resources to launch a full-scale attack to curb the poor peasant movement. State power is also not willing to risk at present large-scale military operations in the area as it would sharpen the existing contradiction between poor tribals and the non-tribal exploiters. But this state of affairs will not be allowed to continue for long. The character of the district administration will be changed. The transfer of the Deputy Commissioner is inevitable. An all-out attempt will be made to extinguish the newly won freedom and democratic rights enjoyed by the people in the Tundi and neighbouring areas, as was done in Musahari and as is being attempted by the police and landlord-rich peasant organisations like the Krishak Sabha in Turkaulia.

Notes

1 See Bhaduri, A, "A Study in Agricultural Backwardness under Semi-Feudalism", *Economic Journal*, March 1973. Prasad, Pradhan H, "Production Relations: Achilles' Heel of India Planning", *Economic and Political Weekly*, May 12, 1973, and "Reactionary Role of Usurer's Capital in Rural India", *Economic and Political Weekly*, Special Number, August 1974.

2 Narayan, J P, "Face to Face", (December 1970), p 7.

3 *Ibid*, p 6.

4 *Ibid*, p 8.

5 *Ibid*, p 24.

6 None of the households in the villages of Tundi reported either leasing-in or leasing-out of land since June 1974.

COMPANY MEETING:



Vijaya Bank Ltd.

Registered Office : Light House Hill Road, Mangalore-575003.
Administrative Office: 2. Residency Road, Bangalore-560025.



Shri Mulki Sunder Ram Shetty

THE following is the Statement of the Chairman, Shri Mulki Sunder Ram Shetty, at the 43rd Annual General Meeting of the Shareholders of the Bank held at Mangalore on June 4, 1975.

LADIES AND GENTLEMEN,

It is my pleasure today to welcome you to the 43rd Annual General Meeting of our Bank. The Directors' Report and Audited Accounts for the year ended 31st December 1974, have been in your hands for sometime now and with your permission, I shall take them as read.

National Economy

The year 1974 continued to experience inflationary pressures as in the year 1973 and in fact gathered further momentum during the first half of 1974. As a result, economic situation prevailing in the country appeared uncontrollable at one stage. Monetary and fiscal measures taken by the Central Government and the Reserve Bank of India during the second half of 1974, did produce results, in 'containing' price rise to a large extent, towards the end of the year.

The indication of the 'fury' of the price increase during the last two years can be seen from the fact, that while the Wholesale price index increased from the base level of 100 in March 1962 to 300 in July 1972, it shot up to 300 in May 1974. In other words, while it took more than 10 years for the price index to rise from 100 to 200, the index reached 300 in a period of less than 2 years, the highest point of 330 having reached in September 1974.

However, if the success achieved on the 'price front' during the last 6 months can be maintained through the remaining part of 1975, it would be a great achievement because inflation is the worst enemy of the country and sacrifices should be made by all sections of the society to meet such 'crisis' in order to maintain allround progress and development of the National Economy.

Banking Industry

In recent years, Banking Industry has shown one of the highest growth rates in terms of deposits, advances and number of branches. The year 1974 however, was an abnormal year for the Banking Industry as far as deposits are concerned and the deposit growth was less than 15 per cent which is one of the lowest in recent years. Total advances made by all commercial banks in the year 1974 have also shown a decelerating trend in its growth rate. Lower credit expansion of the Banking Industry is due to the continuance of the stringent 'credit control' measures introduced by the Reserve Bank of India and the following of a policy to make bank credit 'dearer' which resulted in a healthier climate of credit planning and financial discipline. The Bank Rate was raised from 7 per cent to 9 per cent effective 22nd July, 1974, the incerase being the largest in the history of Indian banking.

Commercial banks, in general, have made further progress in making banking activities available to larger sections of the society by opening nearly 1700 branches in 1974, making a total of 18,180 branches throughout the country. As a result, the average population served per branch in the country gets reduced to nearly 30,000 as compared to more than 60,000 five years ago.

Our Bank

DEPOSITS

It is gratifying to note that the year 1974 is yet another milestone in the history of our bank. Despite the adverse economic conditions prevailing in the country which resulted in one of the lowest growth rates in deposit expansion by the Banking Industry in general, our bank has maintained its tradition of marching ahead in terms of deposit mobilisation, advances and opening of new branches. The 'Giant Leap' made by our bank towards the end of 1974 when we crossed the 100 crore mark in our total deposits, will remain one of the important landmarks in the history of our bank. Our total

deposits at the end of 1974, stood at Rs 109.74 crores, which reflects an increase of Rs 28.61 crores over the figure of Rs 81.13 crores in 1973. This growth rate works out to 35.3 per cent which is more than double the Industry's average. The *additional* deposit mobilisation of Rs 28.61 crores in 1974, is more than the total deposits of our bank in 1970.

Advances

Our total advances at the end of 1974 stood at Rs 62.82 crores which shows a growth rate of about 20 per cent over the year 1973. Credit expansion of the Banking Industry in general was sluggish in the year 1974 due to the stringent credit control measures in force throughout the year, which naturally affected the growth of our bank's advances also.

Branch Expansion

As regards expansion of branch net work, we opened 48 new branches in the year 1974, taking the total number of branches at the end of 1974 to 295. As compared to a total of 21 branches in the year 1962, most of them situated in South Kanara District, we now have branches all over India covering 13 States and the Union Territories of Delhi, Goa and Chandigarh. We propose to open branches in another 6 new States during the current year, for which we have received licences.

Priority Sector

In accordance with the social objectives set forth before us, I am glad to state that our bank has endeavoured its best to actively participate in making credit available to the priority and other neglected sectors. Our advances to priority sectors in 1974 are nearly 34 per cent of our total advances which compares favourably with the Banking Industry's average.

Foreign Exchange

I am indeed very happy to mention that our performance in the field of foreign exchange business during 1974 is satisfactory, considering the unsettled conditions in the international markets and slackness in the expansion of world trade. We are now covering a wider area in terms of commodities and clientele in the field of exports. We have 11 branches dealing in foreign exchange throughout India with an effective net work of 123 overseas correspondents in the world's major commercial and trading centres.

Staff

Being essentially a service industry, human factor plays an important role in banking. During the year 1974, nearly 800 employees have been trained in different fields of banking, mostly at our own training college and also at other centres in India and abroad. The total staff strength has increased from 3,244 in 1973 to 4,298 in 1974 Owing to the faster expansion of the bank, we have been able to generate additional avenues of employment which enables us to absorb a large number of unemployed youths in the country. Although our efforts in this direction are only a drop in the ocean, it is a matter of satisfaction for us in that we are able to fulfil one of the most urgent and important needs and objectives of a developing country like ours. From a mere 176 employees in 1962, the total employees in our bank has increased to 1160 in 1969 and at the end of 1974, we had nearly 4300 employees.

Organisational Change

Pursuant to our fast expansion and in order to keep pace with both the qualitative and quantitative progress of our bank, we started a new Department of Economics and Statistics. During the year under review, we introduced Mechanised Data Processing in order to achieve more efficient and modern accounting methods. Further, preliminary work on our own Administrative Office building in Bangalore, is already under way and construction work is expected to commence shortly. This aims at meeting the increasing demand for space in years to come and to provide better facilities and working conditions for our staff.

Industrial Relations

It is a matter of pride for all of us to note that we continue to maintain cordial and happy relationship among all our staff, who are maintaining the unique tradition of contributing their best to the organisation.

General

Rural Base

Banking Industry in India has undergone considerable change during the last 5 years. One of the significant changes which has taken place, is the spread of banking activities in the 'Rural' centres. Five years ago, the proportion of rural branches to the total branches of all commercial banks was about 25 per cent, which gradually increased to 36.5 per cent at the end of 1974. As against the above, our banks, historically speaking, had always maintained its 'Rural' base, because during the last 5 years, the proportion of rural branches for our bank has been considerably higher than 30 per cent, reaching the highest level of 46 per cent in 1972. In 1974, out of the total of 295 branches, we had 117 branches or nearly 40 per cent in the rural areas, which is higher than the average for the Banking Industry. The above special characteristic of our bank is also reflected in our deposit mobilisation and the total number of deposit accounts. Nearly 98 per cent of our deposit accounts have balances of Rs 10,000 and less. In other words, the average deposit per account comes to around Rs 1,600. It is also interesting to note that inspite of our fast expansion during the last 4 years with regard to our deposit mobilisation, the average deposit per account remained more or less constant around Rs 1,600. This clearly indicates the fact that our deposit mobilisation continues to emanate from the general public and establishes fully the 'mass' base of our bank's activities and shows that the 'common man' continues to be our all important patron.

Common Man's Bank

As a matter of interest, I would also like to mention that our shareholders, generally come from the common stock as it is evident from the fact that we have about 7,500 share holders with a total share capital of Rs 70.70 lakhs which means that the average share holding per head is less than Rs 1,000.

Conclusion

I do appreciate the unreserved, continued support and co-operation from all my colleagues on the Board. I express my sincere thanks to all of them.

My thanks are due to members of staff at all levels in the bank for their faithful and dedicated service.

Thanks are also due to all our shareholders and customers for extending us their co-operation and help, directly and indirectly, in making the functioning of our Bank successful. I cherish the confidence they have reposed in us.

Thank you.

Note: This does not purport to be the proceedings of the 43rd Annual General Meeting of the Bank.

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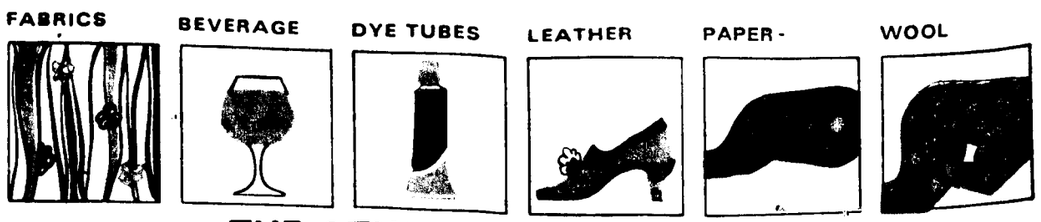
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