This is attractive at first sight and sounds reasonable enough, But the more ambitious scheme of multilateral convertibility the FAO have in mind, if it is to be fully implemented, will convert the Clearing House into an international exchange mart in embryo. This is too ambitious and complex a project to be examined here"in detail. Nor can it be properly assessed except in relation to the other arrangements and policies for securing freer convertibility of currencies and freer international trade.

The surplus countries are in effect asked to accept deferred payment. To take the case of wheat, the purchase will be financed in the first instance by the exporter contributing the value of the wheat to the Clearing House as additional capital. The latter will then sell it to the importing country in addition to and not in substitution for its usual purchases, accepting for payment the currency of the importing country, even though it happens at the time to be inconvertible' The importing country would guarantee against loss by currency devaluation. For subsequent purchases the Clearing House would hold this currency" to the credit of the exporting country.

Thus far, the scheme is quite clear, but what about its eventual conversion, or meeting the deferred payment? This will necessarily have to depend on the eventual enlargement of trade or restoration of multiple converts bility of currencies to permit clearing the account. That means, the surplus countries will have to loan the' wheat and wait for payment, and wait indefinitely, as far as one can see. Would they be prepared to go on producing surplus wheat in these circumstances? The problem of surplus does not seem to have been squarely met, though the scheme offers attractive terms to the deficit countries to supplement their requirements from the normal channels.

Our Delhi Letter

Devaluation, Pakistan and Prices

HOW LONG can Pakistan withstand devaluation? That is the question now being asked in New Delhi. Strangely enough, the most emphatic reply so far has come from a London contemporary. Writes *The Economist:*

> *The Pakistan incident may probably be regarded as a temporary aberration, As there appears to have been lack of co-ordination in informing Pakistan of the devaluation of sterling, the new Dominion is perhaps suffering from a sense of injured pride. There is also the fact that on balance Pakistan is a net earner of dollars. The opportunity of exhibiting superiority over India, which devalued the rupee in conformity with sterling, is also one which must have proved tempting. The decision leaves the Pakistan rupee at 2s. 2d., or at a premium of 44 per cent over the Indian rupee at Is.* 6d.; *since the .two currencies are virtually interchangeable and the frontier is wholly* devoid *of effective exchange control, a situation has been created which obviously cannot endure for more than a very short time.*

My own feeling is that Pakistan will watch the situation till the return of her Finance Minister from Washington next month. Mr. Ghulam Mohammad will then artlessly announce some tune in November a new rate of exchange for the Pakistan rupee round about Is. 10d. or at a premium of 22 per cent over the Indian rupee at Is. 6d. He should be ready to stake his popularity if he wants to come down to par with the Indian rupee.

Though the confusion created by the new pattern of world currency alignments is not yet over, official circles in the capital are betraying no signs of nervousness.

Instead, they appear to be working ceaselessly to devise ways and means to counteract the challenge of Pakistan. Early this week high level conferences were held between the representatives of industry and commerce on the one hand and official representatives on the other, to study the position regarding raw jute and cotton and other trade complications arising out of devaluation. The decision regarding raw jute and jute manufactures has now been announced.. The price of raw jute is to be maintained at the level immediately before devaluation and a ceiling price is to be fixed for the finished product, in order to ensure that Indian jute exports, which earn nearly 62 per cent of our dollar exchange, do not suffer through high prices. In effect, the new arrangement constitutes a ban on the purchase of raw jute from Pakistan at an inflated cost. Normally the Indian jute mills' consumption of raw jute does not exceed 62 lakh bales. This year our own crop is estimated to yield 29 lakh bales and along with the stocks now lying with the mills in Calcutta it should suffice for the next five or six months. Restrictions have already been reimposed on the export of raw jute from India, and it is now almost certain that the partial closure of jute mills till December this year will be continued with the moral support of the Government of India.

Pakistan is obviously treading a dangerous path. She may indeed be the monopoly producer of raw jute but India, she should have known since long, holds the monopoly in the consumption of her 'golden fibre'. By her short term policy Pakistan has provided a strong stimulus to the drive for self-sufficiency in. raw jute now being ardently convassed in New Delhi official circles. It was agreed at a meeting of the Secretaries on 3rd September that in 1950 India should have a jute crop of 40 lakhs and in 1951 of 50 lakhs. Since then the Secretaries Committee is reported to have been asked by the Commerce Ministry whether they could advance on this position and have at least 45 lakhs, if not 50 lakhs, in 1950 and 60 lakhs in 1951. Besides the truculent attitude of Pakistan, the Commerce' Ministry officials find support for their proposal in the fact that the money return per acre of jute is nearly double that of rice and groundnuts and three times the money return per acre of wheat. "It can be argued, therefore", says a memorandum submitted to the Economic Committee of the Cabinet, "that from the point of view of strict economics, we should be self-sufficient first in jute and then in food-grains."

No reference is made in to-night's announcement to the Government of India's policy about the purchase of cotton from Pakistan which is reported to have been discussed this week along with jute. In this respect, however, India's dependence on Pakistan is not so acute and alternative sources of supply are available. It is very likely, therefore, that the decision of cotton interests in the country to boycott the purchase of raw cotton from Pakistan will be firmly supported by the Government of India. In other articles, too, Inter-Dominion trade is not likely to remain unaffected and the possibility of State trading on a large scale is foreshadowed.

Despite the Prime Minister's assertions to the contrary, prices in India are rising again, partly due to devaluation and partly because the machinery of price control is so creaky' Sugar in the capital is now being sold at two rupees a seer in the open market, "though in the imported articles, the rise has not been so significant due to the falling off of buying pressure. For long, I understand from reliable sources, the Government of India have been seriously considering a proposal ' to bring down procurement prices of foodgrains within the country to the pre-decontrol level of October, 1947, *i.e.*, 25 to 50 per cent lower than the present prices. Political considerations, however, have impeded further progress and matters stand as before. Unless, however, food prices can be brought down, other prices will stay put or they will rise; for imports will now be fewer and domestic production is as yet static. Co-operation from the provinces has been lacking and there is a further complication now that prices of foodgrains imported from dollar areas will go up. The consumer will draw little relief from the assurance given by the Food Ministry that our quota of imports from the dollar areas for the current year has already been purchased. For it is not clear if the payment has also been made. Assuming that it is so, how is one to believe that no purchases would be necessary from these areas next year or even after that? If it were so easy to make our purchases from other areas, the dollar crisis in India should never have arisen at all. And how can the prices in other areas stay put when demand will be so much intensified from all fronts? 1951-deadline appears to be only Nehru's, fad and even Patil has belied expectations. If anything, the self sufficiency drive threatens to impinge still more, on, the country's depleted financial resources.