

# The Economic Weekly

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## 'ONE MORE UNFORTUNATE....!'

THE appointment of Mr. Deshmukh as the Finance Minister completes the re-organisation of the Cabinet. Not understandably, the choice to this key portfolio has been welcomed by the business community and yet it has not been decried by others who are prone to suspect the invisible hand of big business whenever important changes take place in New Delhi. The reason is that Mr. Deshmukh has built up a reputation for himself for integrity, financial acumen and administrative competence, not excelled by others, and at the same time, he has proved himself to be outside any of the political camps. This is no small achievement in itself. For, combining balanced judgment with a flare for affairs and a wide outlook cultivated during the tenure of his office as Governor of the Reserve Bank and later as peripatetic financial advisor to the Government whom business occasions took to Washington, Paris, London and Geneva, Mr. Deshmukh has also given proofs of his leaning towards conservatism and of his distaste for hasty and sudden change. Still at the prime of his powers and youthful in appearance, Mr. Deshmukh brings to his task a trained mind, and the capacity for mastering details without losing sight of the fundamentals which is the mark of great administrators and men of affairs.

It appears ungracious, therefore, all the more to be unable to join in this rejoicing wholeheartedly or to extend unreserved welcome to such an able man. As students of affairs, being among those whose duty it is to watch developments from week to week, to unwind, unfathom, and unravel the tangled skein of economic policies, it would not be honest, however, to suppress this feeling of uneasiness which naturally arises on an occasion like this when an equally good man had to quit to make room for another equally good and not very different, judging by all the criteria that may be applied to the other.

Dr. John Matthai, the outgoing Finance Minister, was no party man either. He, too, had behind him administrative experience of a high order; though not being a member of the heaven born service, he, in his time, did not get the deserts that he deserved, and had to waste years in filling up a job that hardly did justice to his talents. But he bore the years of waiting with patience and the opportunity came to him, though late. So outstanding were his abilities that though not a Congressman or even a politician, it fell to his lot to be invited to take up the most important portfolio in the Cabinet. In addition to breadth of outlook, balanced judgment and administrative experience, Dr. Matthai brought to the task the fruits of years of wrestling with economic problems which had been his first love. The air of detachment which he always wore and the lack of any party affiliations survived the years that he spent as a Director on the Board of the Tatas. It must be recorded to his credit that when he joined the Cabinet, the only voice of dissent raised was not from those who suspected him of capitalist sympathies, but from some among the ranks of the capitalists

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themselves. For he had been a heretic among the economists of the pure variety, and though on the approved list of the previous Government he had attained the notoriety of being a man of radical ideas with leftist sympathies, by sponsoring the Bombay Plan of which he was the principal architect. Worse still, he had supported the Liaquat Ali budget, when that budget had been universally condemned as sounding the death-knell of Indian capitalism. He had not even been discreet enough to keep it a secret.

What makes us reserved in our welcome to Mr. Deshmukh is the tragic fate that overtook Dr. Matthai. To outside observers who refused to lend ear to bazar gossip or accept as gospel truth the speculation that always goes on about the personalities in the limelight, it had been a shock to find this good man go wrong. These who had watched Dr. Matthai's handling of affairs were as much impressed by the width and range of his knowledge as they were horrified by the growing divergence between his practice and profession. The high resolve of uncompromising idealism and unflinching devotion to principles seem to have been wrested away, one by one. In the end only the form remained; the content was altogether missing.

As Finance Minister, Dr. Matthai could still give the most lucid exposition of the country's economic affairs. In fact so deep was his grasp and so perfect was his mastery of the most obtruse of financial problems that he alone among those who had held this high office—not excluding his opposite numbers in the previous regime—could speak *ex-tempore* while presenting the annual account of the national finances as he did while presenting his last budget. The lucidity was there. The understanding was no less deep. But there was also the skeleton in the cupboard, exposed equally brilliantly and illuminated no less surely—the admission of defeat and recantation of faith. His last budget was the consummation of a series of capitulations, culminating in a recantation which was as honest as his earlier convictions. For even his worst critics could not at any stage dispute the sterling integrity of the man.

Before Dr. Matthai left Cabinet he had been convinced that in the present administrative set up, with the prevailing inefficiency and dishonesty all round, no major measures were possible for raising the standards of the people or for bringing substantial relief to the masses. We have to go slow because circumstances make it impossible for us to go fast. We have to compromise with the *status-quo* as gracefully as we can, because as a nation, we have neither the strength nor the capacity for sacrifice and disciplined action without which no major changes can be initiated or successfully implemented.

What was the last straw that broke the camel's back and made the ex-Finance Minister lay down his office? Dr. Matthai has referred to differences of opinion on fundamental principles of public policy between him and the Prime Minister. But he would not say what these differences were and has refused to be drawn into any discussion on the economic or financial problems before the country, holding that it might be embarrassing to the Government and his successor. Reports naturally differ about what these differences were. But it is not necessary to lend one's ear to bazar gossip, or to be privy to secret information to be able to get at the truth. Perhaps Dr. Matthai's clear perception of realities and his understanding of economics offer the most convincing explanation. He could have been persuaded to accept temporary compromise, but as a man of integrity, he could not possibly have submitted to policies which are irreconcilable such as that between the economic policy of the Government, aimed at creating confidence in the capital market, and the setting up of a Planning Commission, and surrendering to it what should be really the function of the Cabinet itself, *viz.*, co-ordination of economic policies. Another such would be a deviation from the devaluation decision, a decision taken after mature deliberation and a decision which has been amply justified by subsequent events. Both these have been suggested as a cause for the resignation, and both explanations appear plausible, especially the latter, for the setting up of a Planning Commission may be explained away as

an advisory body, not inaugurating any change in policy as such; but not the deviation from the exchange value of the rupee?

It was common knowledge that when Dr. Matthai was invited to join the Cabinet, the invitation had come from the Prime Minister himself. It is also no secret that at one stage when the Finance Minister had to assume the unpleasant task of asking the Government to go slow on various measures of reforms, such as the abolition of zamindari, because the Government had no money, Pandit Nehru was disappointed that Dr. Matthai's socialist sympathies should turn cold so soon. Since then, Dr. Matthai himself has turned a complete somersault, but has Pandit Nehru remained consistent and stuck steadfast to his socialist ideology that the breach between the two should widen and be irreparable?

But perhaps the fault lies neither with Pandit Nehru nor with Dr. Matthai. The country sacrificed a good man at the altar of expediency. Dr. Matthai did not fail because he was tried and was found wanting but because, as a non-party man, his position in the Cabinet was untenable. Finance is the key to every activity of the Government. And no one can hold this portfolio and discharge the responsibilities adequately without being in a position to influence the other members of the Cabinet, and without being able to over-rule them, if necessary. For the needs of finance must supersede the rest. No one but a Congress man with the highest standing who commands the unquestioning allegiance of his party, and yet, at the same time, possesses the requisite knowledge and ability to handle this all-important portfolio can fully meet the needs of this high office. It is the tragedy of the Congress party that though so many luminaries have shed lustre on this body in the past, the Congress today is without a front rank authority on economic affairs with the possible exception of Pandit Govind Ballabh Pant.

This is not to say that the Finance Minister has necessarily to be a financial wizard; he need not even be a financial expert. For democracy must always put the amateur at the top. The First Lord of the Admiralty in Britain has often been

as innocent of the sea as a squirrel, and yet such people have shed lustre on this office—Successful lawyers have equally successfully filled the office of the Defence Secretary without being soldiers themselves. Strong commonsense, a grasp of realities, and the ability to carry the party as well as the country with him is all that is needed of a Cabinet minister. Such laurels have to be won in the field of politics and public service. It

is a poor Government, indeed, which cannot utilise the services of the best experts without putting them in the pillory. Will Mr. Deshmukh fare any better when Dr. Matthai, with all the requisite qualities for successfully piloting the finances of the country, left in despair? Particularly when, in the place of the placid flexibility of his distinguished predecessor, he comes with a reputation for strong independence and settled convictions?

## Looking Eastwards

**C**URIOSLY enough, the real key to the enigma presented in the economic report on Europe\* lies in the East—Eastern Europe, Asia and the Far East. For the progress reported in 1949 has been as striking as the hopelessness of the yawning dollar gap as well as of other disparities that not only set a deadline to this progress at the cessation of Marshal Aid but raises serious doubts about maintaining employment and activity at anywhere near their current levels for long.

Production in Europe continues to go up and has been accompanied by a remarkable increase in industrial productivity and capital investment without bringing in its train any noticeable unleashing of the forces of inflation. Yet the outlook remains gloomy. For Europe cannot hope to close the dollar gap. It may not export much more to the United States nor can it hope to oust American products from sterling area and other third markets to offset substantially its dollar deficit, though devaluation has no doubt increased its competitive strength in this respect. For the bulk of the demand in most of the third markets is for capital goods, in which America's competitive advantage cannot be substantially reduced. Nor can Europe switch its purchases from the Western Hemisphere to

\**Economic survey of Europe in 1949*, United Nations, Lake Success, Prepared by the Economic Commission for Europe, Geneva, 1950.

alternative sources at comparable prices. Economic expansion in the United States seems to make for its greater, nor lesser, self-sufficiency. Even in the production of basic raw materials, the New World seems to be forging ahead. Its share of world wheat production has risen, it now produces more of rubber and tin than it did a year ago and these are not the only products in which it is difficult for Europe to dispense with the Western Hemisphere as sources of supply.

Eastern Europe comes into the picture because it raises the threat of increased production in Germany for other European markets. Before the War, 25 per cent, of the products of German industry used to be absorbed by areas which are now on the other side of the Iron Curtain. A greater threat from the East is the revived export potential of Japan. And there is the overall drag represented by the dollar deficit of Asian and Far-Eastern countries—deficits which block the way to the restoration of triangular exchange which had been the standby for Europe in the pre-war years.

This alone would be reason enough for Europe to turn to the undeveloped economies and setting them in order. But the inspiration behind the Sydney Conference and the subsequent conferences in Bangkok and Boguio was not only to provide a stabiliser to the unbalanced economy of Europe but also to expedite the flow of financial

aid without which the white men no longer feel secure in the countries of their exploitation. If not actually on the run—only in Malaya the whiteman's rule is still intact—Europeans have lost that sense of assurance which had been so long their principal weapon of defence as well as offence. They find themselves squeezed in between the growing nationalism of the Asian countries and the impact of communism from across the border of China. Economic aid on a substantial scale may still help them to rehabilitate themselves in the process of rehabilitating the economies of the countries which receive the aid. Those living in the comparatively milder climate of this country do not always realise the plight of Europeans in other Asian countries. Bevin's gamble has failed in China. The Government of Mao Tse Tung has turned down Britain's offer of establishing diplomatic relations despite the recognition given to Red China by the British Government. The charge sheet against Britain is long.



Founded by Acharya J. B. Kripalani

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