

'Money Market**Continued Slump in Securities**

IN retrospect, it is apparent that the recent fall in gilt-edged prices is not mainly due to the disturbed Far Eastern situation or to increased demand for funds. Hut ever since the British, Prime Minister announced his dramatic decision to visit America for talks with President Truman, it has been apparent that neither the pressure of events nor the momentum of fighting situation will be allowed to prejudice the wider issues and policies involved.

The military situation in Korea remains fluid and uncertain. This will certainly govern and influence Attlee-Truman talks. But, indications are that all possible steps will be taken to keep the war localised in Korea. Tins interpretation of the Far Eastern situation may or may not be right. Fast-moving events may falsify current hopes. Unless, however, it is argued that the gilt-edged market remains pessimistic about the Far Eastern outlook, its behaviour during the current week would seem inexplicable.

For, following the announcement of Attlee-Truman talks, gilt-edged prices in world markets have looked up. Securities may not have recovered the whole of the ground lost recently, but the downward trend has been halted and prices have improved. Contrary to this world-wide trend, security prices in India continue to droop down.*It is, therefore, a reasonable assumption that the recent set-back in gilt-edged prices is not wholly due to war fears.

Nor does the weakness in gilt-edged seem to be a reflection of the growing demand for funds. After a false start, which indicated the onset of the busy season, scheduled banks' loans and advances have, resumed the downward trend. Banks' surplus balances with the Reserve Bank are increasing; scheduled banks' deposits are not declining; comfortable conditions continue to prevail in the money market.

If the decline in gilt-edged prices does not seem to be due to stringent money market conditions, it does not seem to be due to uncomfortable ways and means position of the Government, either. Balances of Governments with the Reserve Bank

are quite ample; nor have the Government been borrowing money through issues of *ad hoes*, as is evident from unchanged holdings of rupee securities of the Reserve Hank in recent weeks. By a process of elimination, therefore, some of the explanations for lower gilt-edged prices may be brushed aside.

Belief is widely held that declining gilt-edged prices reflect the market's judgment about the future of interest rates. It is argued that, left to itself, the gilt-edged market is finding -its own level. Advocates of dearer money emphasize that this is what should have happened two years ago; that, had the market not been artificially propped up through open-market operations and currency expansion, the corrective process would have been over some years ago.

This school of thought welcomes the fall in gilt-edged prices on the argument that the rising trend in interest rates will foster savings and investment. That remains to be seen. In the meanwhile, pessimistic estimates about the budget deficit and the gloomy outlook on taxation are aggravating the downward trend in securities.

While some theorists lend support to falling gilt-edged prices as a natural phenomenon, technical experts explain the steep fall to be due to technical reasons. They cite the limited scope and authority of the Reserve Hank to undertake open-market operations. Theorists, too, stress this fact as evidence that monetary authorities have now abandoned the policy of stabilising interest rates at levels prevailing two years ago.

These theories and arguments are plausible. They conform and lend weight to contemporary developments. Even so, it may be unwise to stress these arguments too¹ far. If the Government must have to raise their borrowing programmes, it stands to reason that they would like to borrow as cheap as possible. And, war-time developments indicate that both technical experts and theorists are minimising the Government's ability to dictate terms to the market.

Groundnuts in USA

GROUNDNUTS called peanuts in USA were grown in Southern USA for a long time and used as lead for pigs. The shortage of fats and oils during World War II increased the popularity of peanuts and they are now increasingly used in food, pharmaceutical and other industries.

Harvested acreage under peanuts in USA increased from 1,908,000 acres in 1939 to 2,332,000 in 1949 and the output from 1,213,110,000 lbs. to 1,875,825,000 lbs. Average yield per acre increased from 636 lbs. in 1939 to 804 lbs. in 1949. During the same period, the yield of groundnuts per acre in India declined from 613 lbs. to 540 lbs.!

About 30 per cent, of the output is crushed for oil. It is considered superior to cotton seed, corn and soyabean oils for use as a salad oil or in medical and pharmaceutical products. Peanut oil is used most, however, in margarine and other edible products. About 50 per cent, of the crop not used for oil is used in peanut butter. Peanuts are also widely used in confectionery and for eating directly.

The crop this year is being harvested by hand. Hut a machine developed by the Department of Agriculture is being tested in the field. It digs, shakes and threshes peanuts in one operation. The threshed nuts are then sent to a drying plant and are ready for the market within a few days after they are dug. High cost and lack of drying plants are obstacles to the¹ widespread use of this machine at present, but eventually it may revolutionise peanut cultivation.

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