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Banking and Development

WHILE the Planning Commission are engaged at the moment in assessing the progress of the Plan in the first two years, it is only now that realisation has been seeping into the public mind of the magnitude of the task that remains to be performed. The Finance Minister started a hare by talking aloud about deficit financing and made explicit what had remained implicit in the idea of developmental planning. The specific figure for deficit financing he gave may be no more than a guess but it gives an indication of policy which is welcome in that it puts development before finance. This has led others into diverse lines of speculation which are largely unprofitable. This is suggested by the speeches of the Chairmen at the bank meetings which curiously enough lack a general tenor, conveying thereby the confusion that prevails regarding the means of attaining the aims which have now been clearly defined and won general acceptance.

That development must take precedence over finance has received enthusiastic support and has struck an echo of response from almost all quarters. In his statement at a Press Conference, Mr Bernstein, Leader of the I M F Mission put it as well as anyone else: "If a development programme did not require more investment than could be easily financed by saving, it would be a little more than an inventory of projects that would be undertaken in the ordinary course of events. Naturally, the Plan calls for a much higher level of investment, modest though it is in its objectives and that is why ordinary savings are not enough to finance it." "The people and the Government of India", Mr Bernstein went on to say, "will have to make extraordinary efforts to secure adequate resources at home and to find . . . more capital from abroad." Shri G D Birla in his speech at the Annual Meeting of the United Commercial Bank echoes this sentiment enthusiastically when he says, "those who talk of lack of capital in India seem to be insufficiently aware how modern financial techniques coupled with financial discipline can work wonders."

Discordant voices have also been raised, among others, by Sir Cowasji Jehangir who prefers to reserve his gifts of imagination to patronage of art and scotches the idea of deficit financing in his speech at the annual meeting of the Bank of India. While prepared to wink at minor lapses—Sir Cowasji does not mind deficit financing within limits—he roundly trounces the notion that restraint could be observed in practice. More likely, the Nasik Press will work overtime. So far, however, there is a large measure of agreement. Differences arise when one comes down to brass-tacks. What are the financial techniques and what is the financial discipline necessary to work wonders? Shri G. D. Birla has the reputation of having made Indian capitalism intelligent. "Then is a welcome affirmation in his faith that the country does not suffer from want of capital. It suffers "because there is absence of conditions which will impel men to work hard." This is a good enough statement of the problem of development. What Birla wants is "a social climate in which all, in their own interest, will work hard." Shri Jayaprakash Narayan starting from the same premise derives the conclusion that people will not work hard nor would they find the social climate con-

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