

Off the Record**Monetary Fund Mission**

OF the twin Brettonwoods institutions set up after the war, one, the money doctor, and the other shall we say the wet nurse?—to restore the war-torn economies to health, and strengthen the undeveloped economies of the world, the Fund has been the least active. Expert committees set up by the UNO have remarked on the inadequacy of the Fund's resources and made severe strictures on its disappointing performance. Somewhat apologetically, the Fund Chiefs explain, off the record, of course, that the Marshall Plan had eclipsed its activities so long but now that trade, and not aid. Is going to be the solvent of exchange and balance of payment problems, the Fund expects to stage a recovery and come back into its own. Recent discussions about salvaging the sterling area and repeated mention of free convertibility of the sterling as a possible practical objective in the near future, have aroused fresh speculation about the Fund's role in the new order of things. Speculation has tended to crystallise along two opposite poles of thought. The one which has held the field so long takes its cue born the fact obvious and undeniable that America alone has the money and if she is going to pay, she will naturally want to call the tune. This does not discount the possibility of America underwriting the sterling area, but only emphasizes that if she does it, she will do it on her own terms. In other words, trade will be only a form of military aid and the food offices of IMF will not be necessary for dispensing it.

The other viewpoint, that the IMF is going to take greater initiative in world affairs, draws its inspiration from the general improvement of world track' and lightening of the balance of payments problem as compared with the period immediately following the war. The theory is that the magnitude of this problem is now smaller and manageable. If the IMF now steps in and exerts its authority in order to restrain the tendency of the member countries to expand too fast, the Fund will have a better chance to restore freer trade than it had before. 'That the sterling area has been toeing the line laid down much earlier by the IMF but not followed at the time, clothes it with an air of plausibility. And now of course speculation can take wings

and soar, thanks to the attention and importance that is being given to the IMF Mission now in Delhi to probe into our finances and have a first-hand look at our Five-Year Plan. This is no routine checking, as had been thought earlier. The Fund Mission has come in response to a special invitation by the Government of India to advise it "on the limits of deficit financing in view of the world monetary conditions". This is what the Finance Minister said at a press conference in Poona last month. Hut judging from the manner in which the Mission has been going about, sending out an advance party and all that, and the attention which is being showered upon it by the Finance Ministry, the Reserve Hank and other Government departments, not to speak of the hospitality at the Rashtra Bhuvan for the leader of the Mission, one would imagine that the future of India depends on the report that the Mission may choose to give. As if the Fund has all the dollars in its pocket, or that a good word from it will induce the Republicans to relent and mala the American private investor draw out his cheque book!

About the ability of the Fund to be mote effective in the future than it has been in the past there are grave reasons for doubt in view of its limited resources, if not for anything else. One can understand the attention given to and deference-shown to World Bank Missions. Alter ah the World Bank lends money and naturally it may want to look closely into the proposition for which it is asked to put up money. In the case of the IMF, however, beyond \$100 million winch India had borrowed years ago, there is little prospect of any financial assistance forthcoming True we have not drawn to the maximum extent It) which we are entitled. True also, we are delaying the re-

payment longer than we should, for the purpose of a Fund loan is not to finance long-term developments but to meet short-term deficits. The position of members of the sterling area are, however, somewhat especial since by an elastic and informal convention India along with other Commonwealth countries, has agreed not to borrow any more from this source, or the IMF has decided not to lend any more to any member of the sterling area, the look of which it does not like. Why then this Fund Mission and the song and dance that Delhi has been making about it?

After all, what exactly do we expect this Mission to do? Recommend us for a loan? That is none of its business. Give us a character certificate? It looks like that, but what purpose will it serve? Haven't we got one already front the fund which said in its Annual Report that Colombia and India were the only two countries whose finances were in sound condition? This was indeed a feather in the cap of Shri Chintaman Deshmukh but was it not enough? Is it really necessary that the good character certificate should he further embroidered and made into a full-length document to remain as a permanent record to in glory of our financial mentors, so that we may say whatever others may have done, we stuck to the straight and narrow path and did not try to go faster on the path of development than what the omniscient IMF considered advisable? The Five-Year Plan has won high praise abroad. Its critics at home have raised objections against its deficiencies and expressed doubts about its workability. Those who find the Plan deficient do not think that it goes tar enough. Others who are sceptical about its workability point out that it lacks a scheme of incentives and disincentives to make it work. None of these would be answered by a certificate from the Monetary Fund.

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