Weekly Notes

Nehru in Bombay

THERE are two phenomena in India that never cease to excite admiration. One is Shri Nehru and the other is his amazing youth and energy. At an age when most others, even politicians, would like to sit back and take a remote, elderly view *of* the swirling current of life and affairs around them, he is still in the thick of it and zestfully so.

His visit to Bombay this" week has been a whirlwind of movement. expression and that spontaneous effusion of the Nehru temper and mood which the crowd applauds. From water supply to social science; from social science to employees' insurance; and from there again to a children's rally, the laying of a foundation-stone and a meeting with film stars the range and variety of the programme should be fairly upsetting even once in a while. For Nehru such a tempo of activity has become the merest routine. And all this followed a week full of speculation that, he was getting tired of this and that and of the Prime Ministership as well! There was as usual a touch of impatience in his utterances timing the week, a trace also perhaps of dissatisfaction and discontent: but search, as one might, there was not the slightest indication of weariness or boredom anywhere about him.

That is all to the good; hut the question is whether out Prime Minister should be so prodigal of bis energy or rather whether public institutions and individuals should make such frequent demands on his time and willingness to aid good causes. It is true that a politically backward and in many respects lethargic country like ours cannot make do with a chief executive who is just a legend, hidden behind a mountain of files and rarely heard and all but never seen. But. the othecr extreme of expecting the Prime Minister not only to be omnipiesrnt but also, in a manner, omnist hardly stands to reason. Here selse where there is something to be old for the middle path *of* moderan 1

A Question of Proper Timing

WHY was the export duty on tea raised last week but not the week before or a month ago or three months ago? The Commerce Ministry has thought out very cogent reasons for it. It claims to be able to hold the balance even and adjust the timing for changes in duty in such a manner that a good year is matched with a had year and the tea gardens get just enough to stabilise themselves but no more. The increase had long been expected but its exact timing has been a puzzle which no one has been able to solve. Was it the competitive position of Indian tea in foreign markets *vis-a-vis* Ceylon tea that the Commerce Ministry had been thinking about or was it the rehabilitation of tea garden finances that was the primary consideration in its mind?

The question that is raised by the tea export duty is an old one that has been forgotten dining these years of inflation and shortage. When one says that tea can bear it or that even a higher rate of duty would have been justified, the assumption is that the duty would be passed on to the consumer. In the present state of world demand and the high prices of coffee, perhaps that assumption is not unjustified. The bulk of the Indian crop, however, is still to come on the market and therefore though the present trend suggests that the duty may be passed on, at least in part, it would he foolish to be dogmatic about it. High prices beyond a point are not an unmixed good for the industry in that they lead to indiscriminate increase in acreage and deterioration in quality. Tint as far as one can see into the future, with Indonesian production *and* exports so very sticky. Indian tea seems to be assured a period of relative prosperity, and the Government of India a sizeable windfall.

Indian Rupee Standard for Nepal

REPLYING to the comment on his article (Crisis of the Nepali Rupee ' which appeared in the issue of September 25, Prof Y P Pant writes from Kathmandu:

" With your view that to an outsider, even if exhaustive statistics were available, the problem of Nepal's currency would be no easier of solution, T readily agree, if you are referring to the complications that arise in the working of the dual currency system. But it docs not follow that the solution lies in making the Indian rupee the standard currency for Nepal and allowing ' the present natural process ' to reach its logical consummation. Is that logical consummation the country-wide circulation of the Indian rupee?

" The adoption of the Indian rupee is definitely fraught with serious difficulties. The budget is drawn up and all Government transactions are carried on in terms of the Nepali currency. Even if the present system of issuing notes or meriting rupees is defective, how will the losses resulting from the adoption of the Indian rupee standard be covered? How can the balance of payments between India and Nepal be adjusted, if the same currency circulates in both the countries?

" Again, you write that ' Prof Pant takes the view that Nepal should immediately have a completely separate currency system of its own, so that it may become in every-respect a completely independent economic unit—a nation in the technical, economic sense of the term, which it is not today and has never been.' I do not think that a careful study of my article gives this impression. As regards short-term measures (seven-point programme) my main objective has been to cheek the wide fluctuations in the exchange rate.

" What I wanted really was to suggest a feasible policy to be adopted by the Government in view of the depreciating value of the Nepali rupee in relation to the Indian rupee. This should not be narrowed down to the advocacy of any sort of economic nationalism or isolationalism, which is out of date in these days of internationalism.

"I thank you, however,-for your comment for the light it throws on certain basic issues and for the opportunity it gave me of making my standpoint clear."

The obvious answer to Prof Pant's difficulties is that currency integration does not demand financial integration also. Nepal can still keep its finances separate and maintain its own independent budget and still have the Indian rupee currency which the people appear to prefer, so long as movements of capital between the two countries are left completely as is virtually the situation today.

World Bank Loons

THOUGH no great change is to be expected in the character of the World Bank's operations, it would be interesting nevertheless to enquire, whether, in view of the demand on its resources for re-construction of war damage gradually declining, the uneven distribution of its loan as between different countries of the world and different continents, which had been such a marked feature of its activities in the past, is now being rectified, or is on the way to rectification. Some light will be thrown on this question by the table below. Broadly, the fact stands out that though re-construction, which took precedence over development in the earlier years, is no longer a significant factor, development that the World Bank seeks to promote is not closely related to the degree of under-development of various countries as that term is normally understood. How else explain the very large loans to Australia with a population of less than 10 million, totalling $204 -million, while the whole of Africa, with a population of 209, million, gets little more than half this amount, the bulk of it going to South Africa alone? The wide disparity, judged by any criterion, between Asia and the other continents in the distribution of the loan is equally glaring and it shows no signs of, diminution as the years pass, as will be evident if the amount of loan per head of population in 1951 is compared with. that in 1954.

	Total Amount of Loan (in million US $) effective June 1954	Population in thousands †	Upto June 1954 Loan amount per capita in US $	Upto June 1951 Loan amount per capita in US $
EUROPE:				
Belgium ..	28.75	8,706	3.3	1.85
Denmark ..	40.00	4,334	9.3	19.5
Finland ..	2.10	4,091	0.5	3.68
France ..	250.00	42,600	5.9	6.70
Luxemburg ..	11.76	302	39.2	40.0
Netherlands ..	221.45	10,377	21.3	21.60
Turkey ..	63.24	21,983	2.9	1.30
Yugoslavia ..	58.00	16,729	3.5	0.17
AMERICA:				
Columbia ..	55.00	11,768	4.7	2.5
Uruguay ..	32.70	2,446	13.3	14.0
Mexico ..	80.33	26,922	3.0	2.46
El Salvador ..	12.54	1,986	6.3	5.81
Chile ..	45.60	5,932	7.7	2.80
Brazil ..	176.51	54,477	3.2	2.12
OCEANIA:				
Australia ..	204.00	8,696	24.6	12.64
ASIA:				
India ..	69.00	367,000	0.2	0.17
Iraq ..	12.80	5,100	2.5	2.57
Thailand ..	25.4	19,193	1.3	1.41
AFRICA:				
Union of S. Africa	110.00	12,912	8.5	4.13
Ethiopia ..	8.5	15,000	0.6	0.51

† Latest census or estimate, UN.

Our Delhi Letter

Shri T T K and the Economists

REPLYING to the debate in the Lok Sabha on the Indian Tariff (Second Amendment) "Bill on the 27th last month, Shri T T Krishnamachari, the Minister for Commerce and Industry made some acute observations on the role of economists in the administration which should not go unnoticed. The Government, he said, docs not at present have a very large staff for purpose of investigation and are still building up the economic and statistical staff. Individual ministries, he added, can no longer build up their own economic and statistical stall, since "' the Finance Minister has more or less placed an embargo on ribbon development in this direction " Does it mean, then, a further move in the direction of centralising economic advising under a single Economic Adviser to the Government of India?

The Commerce and Industry Ministry, however, despite this frown from Finance, has started a very small cell in each port, with an intelligence officer and a couple of assistants in the major ports, who keeps himself informed generally of imports, the prices charged, the exports, the prices that are mentioned in the invoices, the market reports roundabout port areas, and so on. This intelligence service, seems to be the Government's main source of information for operating its new tariff/imports policy *ie* determining import duties and quotas with a view to maximising Government revenue, cutting down importer's profit margins, mopping up excess purchasing power and providing a quality yardstick to indigenous producers. The new set up would also presumably assist Government in forecasting export trends and changing the export duties well in advance in order to take advantage of a rising market or providing relief to the export trade when prices tend to sag.

Regarding the work of academic economists and the Universities in the field of applied research, T T K made the pertinent remark that " What we need today is not merely to get the economists to advise us but. to educate the economists themselves on our needs. I felt the academic world did not know exactly what was being done in the practical field ".

How to build a bridge to cover this gull? There are economists galore in Government Departments some would say they joined the Government and ceased to be economists, becoming instead, good, bad, or indifferent bureaucrats. That apart, Government Departments arc a " bourne from which no man ever returns"—the fortunate ones who are picked up by the Government just stay put. They do not return to the Universities, adequately equipped, to reorientate successfully the study of applied problems by acquainting academic workers about the needs of the

Government. To end this state of affairs what is needed is free interchange of ideas through interchange of personnel between the universities and the Government Departments, including the Reserve Bank and the Planning Commission. . This is, however, only a counsel of perfection at the present moment.

The Commerce Minister had the reputation of maintaining the best private library of economic literature in the whole of the South. In the midst of his various preoccupations this busiest of ministers still manages to keep in touch with the latest books and periodicals on the reinject. He even found time to inaugurate the economic conference m Jaipur last year.

It is only to be expected therefore that TTK should associate economists with the activities of his departments at various levels. That he has done. Economists were appointed on the Textile Enquiry Committee, the Plantation Enquiry Committee and the Advisory Council of Industries. The Government, however, is more willing to appoint economists than to utilize their services. And the Ministry of Commerce and Industries, despite the Minister's partiality to economists, is no exception to the rule. The economists whose advice has been sought have a justifiable grouse against the Commerce & Industries Ministry-official secrecy, incompetence or downright cussedness—whatever it may be, stands in the way. Economists are not taken into confidence. They do not understand why there should be so much hush hush about the Government Experts' Report on Imperial Preference, or how the Ministry formulates its Tariff policy or its policy to the GATT. How could the academic economists give useful advice on these matters if even the basic data, on which the formulation of policy is based, and for the collection of which the Government is responsible, is not made available to them?

Does the Commerce Minister section by suggest that even the Tariff Commission sits in an ivory tower and has so awareness of the Government's country's requirements, or that it does not do its advising properly? The left-handed compliment to the 1 riff Commission for its independence and impartiality will hardly deceive anybody who has followed the manner in which the Ministry treats its recommendations. True, there is the Minister's responsibility to the Parliament. If the Tariff Commission is maintained only for providing an independent opinion, which is to be considered along with many others—the latter formulated by more knowledgeable people within the Ministry—is it not too expensive a luxury? If economists are taken seriously only when they supply good reasons for whatever decision the Government chooses to take and are ignored when they are not pliable, surely they cannot give of their best.

In regard to Imperial,, Preference, the Government's case is that the value of exports on which preferences have been received by India is much more than the value of imports on which preferences have been granted by India. But if the case for continuance of preferential arrangements is based merely on the comparative value of trade, it would indeed be weak. What should be compared is the estimated value of exports which takes place on account of the preferences (and which would not take place in the absence of preferences) with the estimated value of imports which takes place at lower prices or advantageous terms on account of the preferences.

What is likely to happen to our exports and imports in the absence of preferences has to be assessed. Burma withdrew the preferences granted to us—but this does not seem to have directly affected our trade with that country. The Indonesia Minister for Economic Affairs who was in Delhi about two months ago was very sore on the question of India's continuing to give preferences to the UK and Colonies and complained that these preferences were standing in the way of development of In do-Indonesian Trade. Again, Australia has lately begun protesting vehemently that the Ottawa Agreement was working against her interests. Has the Government Expert's report made an analysis of margins of preference on the lines of McDougall's recent study on the subject? There may be reasons for not publishing the Report on Imperial Preference, but why cannot the data on which the Government decision was based, be released to the academic economists, none of whom was associated with the enquiry?

Again, take the question of the review of the GATT. In the USA, the Congress is having public hearings with a view to determining what the American attitude the GATT should be. In the early post-war years, when the Government of India participated in the talks leading to the formulation of the Havana Charter and the General Agreement on Tariff and Trade, the Government of India had the benefit of advice from academic economists in the Trade Policy Committee and the Consultative Committee of Economists. They also associated academic economists in the Indian delegations to the various sessions of the Contracting Parties. This time, the subject has not even been discussed in the Lok Sabha. The Government seems to take commercial bodies like the Federation of Indian Chamber of Commerce and Industry into greater confidence than the academic economists. Not to speak of publishing detailed trade statistics and an annual review such as is done by the GATT Secretariat, the Commerce Ministry has stopped publishing even the Annual Review of Trade which used to be such a stand by for all serious students, of economics.-

Apart from special experiences regard Imperial Preference and tariff concessions under the GATT, in which economists could give useful advice to the Government, even if the statistical publications were brought out more regularly, what a relief it would be! The latest issue of the Monthly Trade Accounts available to the public is for June — the Government surely has later figures and is able to utilise them. There has been no issue of the Annual Review of Trade after 1946-1947! The last issue of the Annual Review of the Economic Conditions of India with special reference to Foreign Trade—a truncated edition of the Review of Trade—was for 1948-49. The Handbook of Commercial Information for India is about 18 years old. The History of the Indian Tariff brings the story only upto 1938. The latest Indian Customs Tariff is dated the 1st July 1953. And so on.

If he really cares for economics, the Minister for Commerce, and Industry should strengthen or reorganise his economic and statistical staff in such a manner that at least these publications are brought out regularly and in time, so that economists may know what is happening in the practical field and be more useful to the Administration. Is TTK really serious when he talks of educating the economists?