possible alternative structural conditions. The Harrod-Domar equation is the first expository step towards developing such a theory, and if one cannot as yet discover the needed synthesis, one can at least indicate the nature and the size of the gap that still, remains to be covered.

All this does not in any way minimise the value of Ghosh's attempt which has the essential merit of being provocative. He has covered a very difficult ground with easy confidence and has in most cases posed the right questions and carried his search for answers along the right tracks. And he has implicitly raised the very important question as to how far it is possible to marry the dynamic analysis of the trend-and-cycle forces of an advanced economy, not particularly dependent on public investment, with the dynamic analysis involved in a contrived steepening of the trend curve in a poor economy. Harrod, Domar and Joan Robinson have provided some of the stepping stones and Lewis has tried to provide a general map of the whole field. The experience of the Indian Plans may provide the much-needed empirical data, and it is not improbable that the enunciation of an integrated theory of growth is not very far away.

Around Calcutta Markets

Gloomy Outlook

Wednesday, Evening

MARKETS, like men, seem to be slaves of habit. It is a habit with stock markets to be enthusiastic about the New Year. There was not much of enthusiasm as Lyons Range opened after the holidays. Even so Lyons Range officially ushered in 1957 by pushing equities up slightly. Indications, however, are that the steadier trend may not persist. Neither on the economic nor on the political front is there anything to enthuse stock markets In the near future.

In stock markets, it will take some time for the dust to settle down. There may be scope for a further fall in equities. But the Impact of recent fiscal and financial uneasiness on stock markets has not been as severe as it might have been expected. Like females, stock markets have a tremendous capacity for recuperation. Activity will be at a low ebb for some time yet. But there are already indications that stock markets have almost succeeded in absorbing recent shocks

Two Shadows

Two 'shadows loomed over the market at the beginning of 1956. First the continued emphasis by Congress about its bias to Socialism. The other was the Second Plan's bias to the organised sector of industry. Neither of these factors had any appreciable immediate effect on stock markets. Equities did not develop a hesitant trend until after the presentation of the 1956-57 budget. Since then, the tax load and fears of a higher tax load have hung heavily on markets.

Two of the tax proposals in the original budget had a cumulative effect on stock markets. One was the super-tax on dividends. Taxation of bonus shares was the second adverse factor. This was the beginning of indirect limitation on dividend payments. As the tax on bonus shares was contrary to the recommendation of the Taxation Enquiry Commission, it caught stock markets napping. It was this measure which mainly affected equities then For, that was the time when many companies were expected to receive sanction for issuing bonus shares.

Nationalisation

Along with these tax proposals, some other economic developments affected stock markets. Nationalisation of the Imperial Bank had no direct Impact on equities But this and nationalisation of life insurance dealt a profound psychological shock to the private sector. These two decisions of the Government deepened the private sector's suspicions about the basic economic policy of the Government. It was this psychological reaction which was visibly reflected in the behaviour of industry and of stock markets for quite some time

Nationalisation of life insurance had also direct adverse effects on stock markets In recent years, the life fund has been a major source of sustenance to stock and new issue markets. Fears that the nationalised life fund will not be available for its former operations caused a shake-out in equities It was partly a reflection of the former speculative uses of the life fund. It was in part, a reflection of stock markets' lack of faith in the competence of undertakings in the public sector. Some of the experiences since nationalisation of life insurance would seem to confirm these suspicions.

New Issues

Gradually, stock markets overcame these shocks. As it became evident that the Second Flan's bias to small-scale industries did not prevent rapid expansion of the organised private sector, stock markets began to recover. Despite the tax on bonus shares, new issues, for financing expansion projects helped the recovery in equities. It was only, natural that equities should move up along with industrial expansion. Both industry and stock markets forgot their worries about the Government's economic policy.

It was at this stage that stock markets received another shock. New Delhi made it clear that the Government was determined to dictate the price at which new issues would be offered. New Delhi fixed the premia at which new issues by TISCO and IISCO were to be offered. This had a terrific impact on markets, as it was interpreted as a move to ensure greater control over key industries by the Government. Despite the development element conceded in the new steel retention prices, this policy caused a landslide in these two major equities. As Indian Iron and Tata Steel fell, equities in general developed weakness.

The Slump

Even these shocks, stock markets overcame gradually. But as the year neared its end. the Union Finance Minister announced some fiscal and financial measures which caused a slump in equities. Under the combined pressure of an increase in the super-tax on dividends and of a compulsory deposit of a certain specified percentage of industrial funds, stock markets wilted. Stock markets remain paralysed from shocks suffered by these measures.

There is no use denying New Delhi's bias to the rentier. This pronounced bias is reflected in the recent slump in equities. Investors will have to acclamatise themselves to the new environment. This Is not the occasion to discuss its effects on the future flow of investment. But it is clear that, with the increase in dividend taxes, with the Government's policy to dictate dividend payments and prices for new issues by key industries, equity yields must remain high enough to attract genuine investors. In the long run, this aspect of the Government's policy will discourage speculative activity, but may not affect investment activity considerably.

False Hopes

It is not without significance that stock markets are less worried about the capital gains tax. This tax has also possible implications on investors. But it is mainly aimed against speculators and profiteers. These latter are quite able to fend for themselves. Nor are stock markets directly affected by the provision relating to compulsory deposit of industrial funds. But this latter measure may create problems of liquid funds for industry. This is where scarce and dearer bank credits enter the picture. All these measures have the combined effect of depressing equities.

1956 started with bright prospects for Engineering shares. These hopes materialised to some extent though the growing restrictions on dividend payments affected these shares also as the year approached its end. Tea shares have also slumped in recent weeks. But the behaviour of Tea shares indicated that investors were unduly pessimistic about these shares. On the other hand, the behaviour of Jute shares was rather disappointing. 1956 was expected to be a good year for the jute industry and jute shares. These hopes did not materialise.

Around Bombay Markets

A Year of Shocks

Thursday, Morning

AS the New Year has been rung in, it is appropriate to take stock of the performance of the equity market and strike a balance-sheet for the year. It would be difficult to find a parallel in the history, of the Indian Stock market, at any rate in the recent past, for the sustained course of shocks experienced throughout the past year.

In the first quarter (January-March) the promulgation by the President of an Ordinance vesting in the Central Government, the management of life insurance business was the most serious shock meted out to the stock market. This did away, at one stroke, with the dependable assistance of insurance companies, which usually extended valuable buying support to the market The nationalisation ordinance, in effect, removed one of the most vital props and no wonder, the market became lopsided, to begin with, in due course to register an all but complete collapse. As Shri T T Krishnamachari put it early in February last, "there was no depression in the economic sphere in the country excepting in the stock exchange". Two other bearish factors during the first three months of the year were the Bombay riots and apprehensions about the Budget proposals.

The stock market fared little better in the second quarter, though there was evidence to show that struggle was going on for the revival of investment confidence. Rumours of nationalisation of this. that or the other industry and fears of additional excise duty on cloth continued to depress the market and values were pushed further down.

The trouble over the Suez had its impact upon the stock market. A similar event at any other time would have led to speculative rise in prices all round But it was not so this time. Blocking of the Canal, it was realised, would halt the progress of the Second Five Year Plan, which depended on large-scale imports of plant and machinery. Besides the Suez issue, there was the imposition of additional excise duty on all varieties of cloth towards the end of August, and subsequently, several other measures were taken by the Government for bringing textile prices to a 'reasonable' level. The Government even held out the threat of actually taking over the textile trade and run it on its own. As a result of these restrictive measures, sentiment in the stock market was severely depressed, particularly in the textile sector.

During the last quarter of the year, the Union Finance Minister announced the imposition of the capital gains tax and the rate of super-tax on dividends was also raised. These completely demoralised the market and operators, big and small succumbed to a general wave of liquidation which brought down prices all round to fresh low levels for the year.

Tata Ordinary which quoted Rs 262 cum-right, at the close of the previous year had lost nearly 100 points on the last day of the year when it quoted in the kerb even as low as Rs 170, the actual closing quotation for the year under review being Rs 173-8 Indian Iron also closed the year on a distinctly weak note at Rs 28-11-6 against Rs 39|4 at the end of 1955. Cotton mill shares, for obvious reasons, were the worst sufferers. Bombay Dyeings declined from the year's peak figure of Rs 702-8 to as low as Rs 581-4 at the close, the previous year's closing rate being Rs 599-6. Century also declined from a high level of Rs 550 to Rs 515 at the close In the miscellaneous section, some sustained activity was noticed during the year in Premier Construction which after rising to Rs 220 on influential support closed at Rs 190 at the end of the year.

In reviewing the pattern of trading in the stock market, the question naturally arises. "Why Is it that the stock market remained so subdued when the pace of economic development in the country as a whole has been admittedly on an accelerated scale? In view of the greater and greater control assumed by the Government, there is hardly any chance for the free interplay of normal forces one usually associates with the stock market. It is doubtful whether the general tenor of the stock market would show any marked change from the one witnessed in the year that has just ended.