movement. India has always been adamant about the occupation of any country by foreign troops, or even by the forces of the United Nations. This explains India's vote during the Hungarian debate in the United Nations.

While much has been sought to be made about India's predicament In the United Nations during the debate on Kashmir, domestic criticism of India's foreign policy is mainly concentrated on the effects of India's foreign policy on foreign aid in her hour of need. It is now better appreciated that Pakistan has gained only a pyrrhic victory in the United Nations on the Kashmir issue. But, within the country, the belief is widespread that India's Second Plan is going to be the major casualty of New Delhi's foreign policy. India's need for foreign aid is so urgent and vast that some irritation on this Issue is understandable. But a closer examination suggests that this critical assessment of India's foreign policy has no solid basis. With the exception of Britain, no other country has received as much credits as India from the International Monetary Fund. Among Asian countries, India has been the major beneficiary of World Bank loans. Current negotiations with the World Bank do not indicate 'any discriminatory attitude to India's by this international institution. Washington may not like the look of India's foreign policy. But New Delhi's foreign policy, of non-alignment and the Soviet aid in men, money and equipment have, In no way, affected Washington's "aid policy to india. America's aid to India compares favourably with that to any other Asian country. It has been substantial. Prospects of American aid are no less hight. Both in London and in Washington, the gigantic Indian experiment with economic planning is widely appreciated. Issues at stake in India are fully revised in both Britain and America. But in so far as critics within and outside the country have in making New Delhi' con-

me of the unrealistic

foreign , policy, they seem to have" achieved their purpose.

Credit Restraint

'TMIE Reserve Bank has requested all scheduled banks to carry out a general reduction of bank advances during the current slack season. This is largely, though not entirely, an essay in persuasion' at least for the present. The banks have been used to directives for "selective credit control". This is the first time that they have been given a general direction about their lending operations. How is it to be reconciled with the argument which the Finance Ministry appears to have accepted, but on which it has slackened somewhat under pressure, that restriction of credit through the bulldozer method of higher bank rate is to be ruled out while planning development? Conditions which a rational credit policy have to satisfy in the present situation can be simply stated: adequate credit has to be supplied for Implementing the Plan projects as also for the complementary investment necessary to implement such projects. While satisfying these two needs, a right credit policy should scrupulously exclude financing of transactions which fall outside the first two categories. How is this to be secured, short of detailed rationing, which would be Impossible to administer?

The experience gained In the operation of selective control could be of some value, even if largely negative. To what extent application for advances can be shifted readily from one head to another, it is important to know, to begin with. The rest of it can be guessed, though very vaguely from the fact that borrowers gene any some access to funds other, man what is directly supplied by the banking system.

Banks have in fact been asked to bring down their advance-deposit ratio without reducing their assistance to the essential sectors of the economy. What is the test of this essentiality? Over the years the general level of bank advances has steadily risen, the slack season decline has been less and less marked and the level from which the busy season rise begins has gone up. But has the expansion been unrelated to the genuine needs. of bank finance to keep in step with the development that is undoubtedly taking place at a fast rate? The directive suggests a credit and price build-up which has unsavoury association with speculative holding of stocks. For example, at the end of December, the latest period for which such breakdowns are available, bank advances to engineering industry amounted to Rs 58 crores, while commercial concerns dealing with hardware, machinery, engineering and metal products obtained advances to the extent of Rs 48 crores. This alone might enable dealers to build up speculative stocks to the detriment of industry and consumers. But snap judgements in such matters have little value, since there are no standard ratios between credit requirements for production and marketing even for the same set of commodities.

True, agricultural credit is being made available more liberally but is it being supplied too liberally to enable speculative stockholding? If the farmers holding capacity has improved, there is little that the Reserve Bank can do about it directly. Data on advances do not suggest to what extent bank finance assists the process of storing up of agricultural produce but even if it does, this should be the special province of selective control.

To enforce a general directive, however, certain operational devices can be easily thought of and it would be surprising if the test of essentiality does not lead, after a time lag, to stiffer screening of loans under the bill market scheme. Perhaps its operation in the case of each bank would be put on a two-tier basis, different limits being set up for industrial and commercial advances. The former will necessarily have to be for a longer period while the limit for the latter may be subject to more frequent and seasonal variation. But unless the Reserve Bank is prepared to give some serious thought to tests of essentiality and works out an operationai device for enforcing it throught marginal adjustments in its lending under the bill market schema, general directive will only aggreate the stringency without doing " thing to curb it at the source, which may be broadly described as unplanned investment' and the failure of a proper monetary policy for implementing the Plan.