marketing and processing centres. When cultivators in the Assam hills have to sell their pineapples for the ridiculous price of 4 for one naya Paisa or Alphonso mangoes sell for Rs 5 per hundred in the interior of Ratnagiri District, one naturally thinks of transport as the first step towards any solution.

The underlying assumption that once brought within the range of the market economy, development by itself will spread in ever widening circles is brought into question by the subsequent observations of the committee that the overwhelming majority of the labour employed in road construction and various programmes in these areas is imported labour. This struck the committee to be as ridiculous as that 4 pineapples should be selling for a naya Paisa. The committee recommend that for maximising profits, labour cooperatives should be encouraged and that small forest contracts should be reserved for local cooperative societies. But how is 'the will to economise' to be created and made to work in such an unfavourable environment and institutional set-up? Will established contractors hand over their contracts to local labour which has gained sufficient experience in forest work and who lack only the capital to function independently as small contractors?

The committee, of course, not being composed of academic economists, are not bothered by such disturbing thoughts. They are nevertheless critical of the work in village or Panchayat forests and are shocked that Panchayats, in some cases, after taking possession of village forests "have fallen to the lure of felling them over-night at attractive prices offered by traders". In some areas of Himachal Pradesh, "even mango trees are being put to the axe due to rising prices of packing-case material".

Soil Erosion

THE report has not only brought into sharp focus some of the features of underdevelopment, it has added a new dimension to the concept of region'. In what way do the inaccessible areas differ from depressed areas like Rayalaseema, Malanad or the rain-shadow districts, the erstwhile famine tracts of Maharashtra? The inaccessible areas investigated by the committee were Ratnagiri district of Bombay, hill districts of U P and Assam, Tripura, NEFA, the Kulu valley of the Punjab and the Chini and Pangi areas of Himachal Pradesh. These comprise a total area of 91,610 square miles with a population of 68.4 lakhs. Almost all these areas, except Assam, NEFA and Tripura, consist mostly of barren eroded hills with soils of exceedingly low fertility. Most of them produce foodgrains sufficient only for two to four months of the year.

Extremely low fertility resulting from soil erosion and inaccessibility are the common features, but in many other respects, they differ. The committee do not recommend even any attempt at self-sufficiency in food production; on the contrary, they are convinced that extension of cultivation in these areas would further deplete the soil. Fruit cultivation and raising of live-stock are suggested as preferred alternatives though each area has its special problems and will need its own particular solution.

Most of the areas being hilly, the committee are impressed by the scope they offer for setting up windmills to generate power for small scale irrigation, cottage industries and rural lighting. It is surprising that the committee did not recommend the use of small scale hydro-electric turbines for which the conditions in ail of these areas seem to be ideal. Far from being a very fancy solution and an expensive one, it may be news to many that small hydro-electric power plants generating 25 to 100 kW are now being manufactured in India. These are not only easy to operate, they need a very short drop of water such as one can find in the hill streams and involve no expenditure of foreign exchange. But the use of electricity or power presumes that some sort of development programme can be got going. The prime condition for it, as rightly pointed out by the committee, is a change in the staffing pattern of the local administration and enlistment of local labour and enterprise in some sort of fruitful cooperation.

Capital Formation in Tata Steel

DALAL STREET or the investors '"may think only of the new rights issue of Tata Steel which, large though it is, is of relatively secondary importance, From the economic viewpoint, what matters much more is the tremendous contribution which this premier company, the total net assets of which now amount to Rs 172 crores, has made towards capital formation. The expansion programme of the company from April 1955 to March 1960 is expected to involve a capital expenditure of Rs 110 crores, excluding expenditure on renewals and replacements which is debited to revenue. The accounts for the year to March 31, 1950 indicate that Rs 103 crores has already been spent on the expansion of fixed assets; to this should be added another Rs 1 crore spent on investments since 1955, which are, qualitatively speaking, not of negligible importance. Finance for this capital expenditure has been raised as follows:

	(Rupees Crores)
Capital	13
Reserves	11
Borrowings	72
Total	96

The balance of Rs 8 crores has presumably come from other sources, including depreciation and secret reserves. To Ret a correct idea of total capital formation, one must add the increase in the value of inventory to the fixed capital expenditure. This increase has amounted to Rs 14 crores since 1955. Total capital formation by Tata Steel from 1955 through 1959, thus, aggregates to Rs 118 crores. Since increase in depreciation fund amounts only to Rs 10 crores, the statement can be safely hazarded that the company has found Rs 106 crores from 'open' sources, and the balance of Rs 12 crores from undisclosed sources.

Capital formation to the extent of Rs 118 crores over a period of 4 years within a single unit is a highly creditable performance by any standard. The fact that only about 30 per cent of it has been financed from internal sources, and that the company has received the largest single loan ever made by the World Bank to a private company, testify to its great creditworthiness and the high standing it enjoys in capital markets. The company has certainly travelled a long way since the 1920's when it had to go abegging for funds. It has now reached a stage where investors and lenders alike are eager to put their funds at its disposal.

Debt-Equity *Ratio*

THOUGH this was not publicised at that time, it appears that one of the conditions laid down by the