

Weekly Notes

Washington Smiles

IT was nearly a decade ago that India negotiated her first food loan from the United States of America. The country was desperately short of food then, the need was pressing. War famine condition was prevailing in large parts of Bihar and the situation in other parts of the country was not much better. The negotiations, however, were protracted and difficult. The proposal was buffeted about between the State Department, President Truman and the two Houses of Congress; and many individual Americans were taking a shot at it from time to time in a manner which made us realise how lively, vigorous and boisterous an affair democracy was in the United States. The officials in Delhi awaited the results with baited breath and kept their fingers crossed, less Pandit Nehru might say something to queer the pitch. Nehru was too proud then to ask for a gift. India finally got two million tons to meet her food crisis with a loan of \$ 190 million, carrying interest at 2½ per cent and repayable in dollars over a period of 30 years.

The biggest news of the day is the signing of the agreement between India and U S, by which India will get the largest ever single allocation made under P L 180 covering 16 million metric tons of wheat and one million metric tons of rice. The agreement is unique in more than one way. This is the first agreement of this type that was signed by President Eisenhower himself, with the Food Minister, Shri S K Patil as the co-signatory. Again, this is the first agreement under P L 480 which assures food grain exports from U. S over a period of four years. These will be of inestimable advantage to planning development and let us hope it will set the model for all foreign assistance in the future. Such assistance has hitherto been on a year-to-year basis, to be negotiated afresh every year, introducing thereby an element of uncertainty which is hardly conducive to the success of any kind of planning. Another unique feature of the agreement is that for the first time U S surplus food will be supplied to build up reserves. It will enable India

to build up a food reserve of 5 million tons which can be freely drawn upon as a buffer stock to even out unpredictable variations in food production from year to year. The Third Five-Year Plan which will coincide with the most critical phase of India's economic development from the long-range point of view would thus be ushered in under more favourable auspices than could have been hoped for.

The assurance of meeting the annual deficits in food production and the stabilisation, both of supply and prices which buffer stocks should make possible, are both greatly to be welcomed. As with all aids, much depends on the recipient country; on what use it makes of aid. State trading in foodgrains will now be off and it will no longer be necessary even for Food Ministers to pay lip service to it. Will the effort for increasing the food production slacken, now that food is assured? Will search for resources be pursued with less vigour, because assured food supplies will push off the danger limit of deficit financing? Or, will developmental effort be pressed with greater vigour and confidence, and surplus man-power more energetically mo-

bilised for productive employment? Progress is not inevitable in any situation, however favourable. Only sustained effort can assure it.

Need-Based Wage ?

ARE industrial wages 'need-based'?

If they are not based on some measure of cost of living, what are they based on? The wage system we are familiar with is, by and large, an administered system. It has two components. The smaller one which is the basic wage, goes back to the past, generally to some pre-war year and changes but little. To it is added dearness allowance, which is most often much larger than the basic wage. Whether dearness allowance fully neutralises the effect of price changes or not is sometimes debated. There appears little to debate on, however, unless cost of living indices are defective and exaggerate the price rise. In the textile industry, as also perhaps in most other industries, dearness allowance is not paid for all the thirty days of the month. It is paid only for the working days which being 25 to 26 out of 30, the dearness allowance can neutralise price changes only to the extent of some 80 per cent.

Mid-Year Special Number June 1960

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The Number will be largely devoted to the Third Five-Year Plan. Leading economists, both Indian and Foreign, will analyse competently the different aspects of the Plan. [A special feature of the issue is a symposium on the preconditions of self-sustained growth of the Indian economy in which an economist, a sociologist, a political scientist and an engineer will participate.] There will also be special articles of topical interest on current economic and political affairs.

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