

The Economic Weekly

A Journal of Current Economic and Political Affairs

THIRTEENTH YEAR OF PUBLICATION

January 21, 1961

Volume XIII — No. 3

Price 50 Naye Paise

EDITORIALS

A Republican Welcome	73
Reserve Bank Relents	74
Inter-State River Disputes	75
Administrative Counterpart to Integration	75

WEEKLY NOTES

Unit Investment Trusts —	
Investment in Shares —	
Viscounts Grounded —	
Employment Potential of Khadi —	
Coffee Industry's Problems —	
Commercial Utilisation of Indian Inventions —	
Drunk on Tap Water . . .	76

OUR DELHI LETTER

Final Plan Draft, Not Yet	79
---------------------------	----

LETTER FROM AMERICA

Medical Care of the Aged	80
--------------------------	----

LETTER TO THE EDITOR

Price Policy and Economic Development	81
---------------------------------------	----

BOOK REVIEW

Growthmanship — Surindra Suri	83
-------------------------------	----

SPECIAL ARTICLES

A Decade of Planning — Dhires Bhattacharyya	85
---	----

Marketable Surplus of Foodgrains:	
Policy for Third Plan	

—C Muthiah	87
------------	----

Land and Agricultural Taxes: Some Relevant Considerations — Ayodhya Singh	91
---	----

FROM THE CHAIR

Indian Oxygen Limited	95
-----------------------	----

The Associated Cement Companies Limited	99
---	----

AROUND BOMBAY MARKETS

Groundnut at Ceiling — D P Sharma	103
-----------------------------------	-----

COMPANY NOTES	105
---------------	-----

CURRENT STATISTICS	107
--------------------	-----

A Republican Welcome

PERHAPS the real measure of the genuine happiness and enthusiasm with which the whole of this country has been looking forward to welcoming the Queen of England, whose visit is due to begin today, lies in the fact that hardly anyone has winced at the extravagance of money the preparations have involved. The spectre of death hanging on the head of the tiger whom the monarch will shoot as part of her fun in India has excited much more comment than the very considerable amount of money which the visit will have cost by the time it is over, and which Heaven knows this country can ill-afford.

Apprehensions on this point were expressed by a journalist at the Prime Minister's press conference this week in Delhi; and the reply Pandit Nehru gave can only be described as a defensive denial of any undue extravagance. Rejecting the charge that there had been wasteful spending for the occasion, he nevertheless admitted that there may have been some extravagance in some places, and indeed ended up by disclosing that he himself had been trying to "moderate the enthusiasm" of many of the spenders.

It is necessary, of course, to be careful in making any wild charges against the Government in this matter; and in fairness to it, it should be noted that the famine in electrical bulbs which street illuminators are currently experiencing in Delhi may at least partially be due to the Republic Day festivities which are coinciding with the Royal visit. Due allowance should be made for this overlapping of two happy occasions. The likelihood, however, is that in spite of making this allowance, it might be found that the expenditure has been excessive. The extravagance can be shifted from one head to another, and it may be claimed that the over-spending occurred on the Republic Day account and not the Queen. But it cannot be denied altogether.

In the circumstances, it would be a good thing for some thrift-loving member of Parliament to raise the issue on the floor of the House at an appropriate time, and to ask for a clear statement of account on both heads. Even if as a result of this inquiry it is discovered that the drain down which a lot of valuable money went was republican, and not royal, it will have been a useful exercise — teaching Us to be careful with our purse in regard to this recurrent expenditure even more than with an occasional whoopee like the Queen's visit. The objection, it should be noted, is not to over-spending on the Queen, but to over-spending as such.

On the whole it is seriously doubtful that impartial inquiry would produce a bill of thrift on the Queen's account. Many face-lifts have taken place in many parts of the country, specifically to shield Her Majesty's eyes from ugly or dusty sights. In some cases amounts approaching lakhs have been spent on hurriedly converting kutcha roads into pukka ones: and although one should be grateful for such improvements, whatever the motives behind them, it might indicate money which we can ill-afford being spent out of turn and regardless of priorities.

THE ECONOMIC WEEKLY

65, Apollo Street, Fort, Bombay

Telephone : 253406

Annual Subscription : Rs 24

Foreign 40 s or \$ 6

it is rather important to admit that the fault rests entirely on our own shoulders, and that the Queen is in no way to be blamed for any thing. It may be for Her Majesty to inspire the enthusiasm for this visit; but it is entirely for us to contain it. Our inability to do so is the result, one suspects, of a national weakness of character - or at the very least a "distortion of our bureaucratic minds."

The excitement over the Royal visit is in many ways understandable, for it is natural for the man in the street to gather out of curiosity if nothing else when royalty

and celebrities of other types are in their midst; and it may even be understandable that the Government should wish to put itself out to special trouble to greet a specially welcome visitor. But it has been noted in recent months that even when our own President is required by some ceremonial necessity to visit some part of the country, the real face of the place is quickly disguised behind a wholly false mask of spruceness and affluence. It would be extremely unfair to the President to suggest that he is fooled by these misguided, if well-intentioned, attempts to conceal the poverty of the people; and it would

be similarly unfair to Queen Elizabeth or the Duke of Edinburgh to believe that they will return home convinced that India is a land of splendour and fabulous riches, peopled by the well-to-do alone.

It is in any case doubtful if our best efforts at providing the Queen and her Consort with luxurious comfort can match even the normal amenities available at Buckingham Palace. The entire effort must therefore be considered a waste from every viewpoint. We ought to have been able to welcome the Royal visitors with less expenditure and more honesty.

Reserve Bank Relents

THE Reserve Bank has come round to the view that its experiment with credit restraint by raising the statutory reserve ratios of the scheduled banks was, in fact, unwarranted and it has now called it off. The experiment began in March last year when scheduled banks were directed to impound 25 per cent of the increase in their deposits as additional reserves with the Reserve Bank. This percentage was raised in May to 50 but brought down to 25 in the month of November, when the busy season began. Now that the demand for funds has gone up and stringency has become acute, further relaxation was obviously warranted. What's in a name? What the Reserve Bank has been pursuing, it chooses to call "a monetary policy of flexibility". In retrospect, perhaps, it has realised that the diagnosis on which the prescription of restraint was based was obviously wrong. In any case, actual experience has proved it wrong and the Reserve Bank has to be congratulated for profiting from experience and retracing its steps.

How wrong the bank could be was brought out in a striking manner during the last slack season when bank credit declined by a mere Rs 20 crores while the Governor of the Bank had issued a directive to bring it down by Rs 100 crores. That the rising trend of industrial production had continued, for one thing, had obviously taken the Reserve Bank by surprise. How could industrial production possibly

expand when import control remained so rigid and even maintenance imports were drastically cut? The increased demand for bank credit could on this assumption be only for the wrong things. There was really no warrant for misjudging the tempo of development by arguing on so narrow a basis, none for withholding the credit needed for fuller utilisation of the production capacity that had been built up or even for misjudging the requirements of increasing agricultural production.

The banks now get back the deposits which had been impounded in the form of higher reserve ratios. But the penal rates on borrowing from Reserve Bank in excess of their quotas fixed on the basis of their statutory deposits continue and the relaxation of reserve requirements will bring only a limited

relief to the banks. The liquidity position of the banks is worse compared to what it was a year ago though a direct comparison of liquidity ratios will not tell the whole story, because these ratios were inflated a little last year by P 1, 180 deposits which are gradually now being withdrawn. The credit ratio is also high but probably not so much higher than what it was this time last year, also for the same reason. It is likely, however, that since the banks may not have the same amount of gilt-edged to pledge with the Reserve Bank, they will be forced inevitably to resort more to bills. This probably is what the Reserve Bank would also want. But one wonders what purpose the continuation of penal rates serves, now that the genuineness of the demand for credit and the desirability of credit expansion has been conceded?

Annual Number 1961

THE Twelfth Annual Number of *The Economic Weekly* will be out on February 1. Therefore, there will be no Issues on January 28 and February 11.

The Annual will contain a minimum of 130 pages and will be priced at Rs. 3/- per copy. It will be supplied free to subscribers.

Non-subscribers are requested to order their copies in advance. Registration and postage charges are Re 1/-.

A Fernandes
Business Manager