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EDITORIALS

Defence and Development 1707

New Fiscal Measures 1708

WEEKLY NOTES

Response to Crisis — Back to Three
Tiers — E N I without Mattel —
Cuban Crisis and UK 1710

CAPITAL VIEW

Moment of Truth
— Romesh Thapar 1713

LETTER FROM SOUTH

The Image of India 1717

BOOK REVIEW

Historian's Philosophy of History
— Mohit Sen 1719

SPECIAL ARTICLES

Early Indian Imprints
(From Our Calcutta Correspondent) 1715

The Chinese Motive
— K V W Dharan 1722

Nepal's Economic Development
— Y P Pant 1725

The Optimum Firm and the Optimum Farm : A Comment
— C H Hanumantha Rao 1733

AROUND BOMBAY MARKETS

Slump in Equities Creates an
Emergency 1737

COMPANY NOTES

Hindustan Oxygen — Kirloskar
Electric — Bharat Minings —
Morarjee Mills — Hindustan Lever
— Hindusthan-Pilkinston — Indian
Aluminium — Sen Raleigh 1743

CURRENT STATISTICS 1745

Defence and Development

IN the face of the threat from China, to preserve our freedom and integrity has become the supreme objective of all national effort, including economic planning. A nation, which cannot defend its freedom, integrity and honour, can never realise its full potentialities for growth. The time has, therefore, come when the nation's energies have to be wholly and effectively mobilised for realising this supreme objective.

When the Third Plan was formulated, the actual and potential environment in which it was expected to be implemented was very much different. Now the situation has changed completely. The protestations of the Government notwithstanding, the Third Plan has not only to be reoriented, as the National Development Council has suggested, but it has to be substantially recast both with regard to its objectives and its priorities. Planning, more comprehensive and much more effective, is undoubtedly the need of the hour; but this panining effort has to take into account the overwhelming priority that defence has now assumed.

This is, by no means, to suggest that defence and development are contradictory objectives. For, obviously, development is just impossible in a country which has not the strength to preserve its independence. Besides, the climate created by sustained defence efforts is not uncongenial for development planning. The planning and implementation of heavy industries, needed for defence, cannot brook any delay at all. Similar is the case with the related developments in the fields of transport, power, fuel and communications.

The people have responded magnificently to the new challenge and the unity, vigour, determination and the willingness to work, save and make sacrifices that the entire nation has shown can be effectively harnessed for defence as well as development. Provided the necessary organisational set-up can be created, this national fervour can be channelised to achieve the full utilisation of all available man-power for the maximum production of the required goods and services. In an emergency the people's inventiveness is sharpened and their capacity to make the most of the available scarce and non-scarce resources is enhanced. What is required now is technical competence to formulate and implement a new internally consistent plan for defence and development and effective organisation to harness the united energies of people that the Chinese challenge has so abundantly released.

A new plan, perhaps for a longer term than five years, has now to be formulated with the following objectives : (a) to provide men and material for defence ; (b) to rapidly and consistently develop all sectors related to the defence effort ; (c) to ensure a certain minimum of civilian consumption ; (d) to provide a basic minimum of consumption, in the light of available and potential resources, to the weaker Sections of the community and (e) to devise an effective organisation to utilise fully all available man-power and other non-scarce resources for essential production; to distribute economically and equitably goods for civilian consumption; to maintain law and order and to mobilise national energies fully and effectively for defence.

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The creation of the necessary organisation is the most difficulty but also the most important, objective. To achieve this objective, all the political parties, and most of all the Congress, have to show their earnestness and determination as well as their ingenuity and skill. For this purpose, basic organisational units may be created in the villages and in the urban areas. The work of these basic units would have to be properly co-ordinated at the district, State and national levels.

The function of these basic units in the rural areas should be to formulate and implement local plans for increasing agricultural production and utilising all available resources for production of other essential goods. This apart, the basic units, both in the rural and urban areas, would be charged with maintaining law and order and suppressing anti-national elements; ensuring a basic minimum of consumption to all; devising economical and equitable schemes for distribution of essential civilian consumption goods and services; organising the supply of men and materials required for defence and maintaining the necessary organisation for civil defence.

With defence and development as the supreme objectives of planning, there can be no room for luxury consumption. Cloth production, for example, should be standardised to meet effectively the needs for civilian as well as military consumption; the available capacity in the mill industry need not then be increased. The handloom sector could be fully utilised to meet rural needs. Similarly, use of available transport capacity for meeting civilian needs should be sparing and economical and, wherever possible, local productive capacity should be utilised for meeting local needs. In the automobile industry, the capacity for making passenger cars should be converted to production of military and civilian goods and public passenger transport vehicles. Wherever possible, available productive capacity for producing luxury goods like air-conditioners and refrigerators should be switched over to meeting defence and development needs. Use of power and fuel for civilian

consumption should similarly be most carefully economised.

To raise additional resources for development and defence as well as for restricting civilian consumption, the public and private sectors could pay 5 to 10 per cent of the salaries of all employees, drawing more than, say Rs 5,000 a year, in the form of defence bonds. Similarly, a part of the payment for all purchases by the Government from the private sector should be made in the form of defence bonds. Bonus payments to workers could be made in defence bonds. Further, as an emergency measure, a special progressive income-tax sur-charge could be levied both on individuals and companies. Of course, volun-

tary contributions in cash, gold and kind, to the National Defence Fund should be encouraged in all possible ways. The objective should be to minimise the cost of raising financial resources for defence to the Government; this objective does not seem to have been kept in view in the various measures that have been taken recently.

Unfortunately, the National Development Council, in its recent meeting, failed to give the right lead in all these matters; it did reaffirm the national resolve to meet the new challenge but did not show how this national resolve could be effectively harnessed to achieve the national objectives.

New Fiscal Measures

To meet the challenge facing the country, it is absolutely necessary to restrict civilian consumption to the minimum and to release the maximum possible resources for defence and related developmental effort. For this purpose, to begin with, the Government created the National Defence Fund and appealed to the people to contribute voluntarily in cash, gold and kind to this Fund. The public response to this appeal has been and continues to be magnificent.

One would have felt that at a time when the Defence Fund was attracting such a good response, it would be premature to announce fresh and costly measures of public borrowing; the time for such measures would have been when the response to the Fund began to taper off. If the people are willing to give free donations, it is hardly sound policy to ask them to make the same contribution at a price.

However, the government has announced, with unwise haste, a variety of public borrowing measures at a wrong time and, what is more, on terms which seem quite onerous, thus disregarding the first and elementary principle of minimising the cost of war-financing.

The setting up of the National Defence Fund was followed by the issue of Defence Bonds, new Savings Certificates and the Premium Prize Bonds. The Defence Bonds are to be issued at par in

multiples of Rs. 100 with effect from November 10 and repaid at par after ten years. They would bear interest at 4.25 per cent, payable half-yearly. Since the interest would be taxable, no limit has been imposed on the amount that may be invested in this issue. Besides this, two types of saving certificates have also been announced. One of them is a 10-Year Defence Deposit Certificate to be issued in multiples of Rs. 50, carrying interest at Rs. 4.50 per cent. These certificates will supersede the existing 10-Year National Savings Deposit Certificates. The second type of saving certificates now issued is the 12-Year National Defence Certificates, which will be available from November 15, in different denominations ranging from Rs. 5 to Rs. 25,000. They will be repaid on maturity at a premium of 75 per cent, yielding a simple interest of 6.25 per cent per annum or a compound rate of 4.75 per cent. The Premium Bonds will be bearer bonds, in denominations of Rs. 5 and Rs- 100 and will be repaid five years after the date of sale at a premium of 10 per cent. Holders of the Bonds will thus be assured of a minimum return — 2 per cent simple — on their investment besides having the chance of winning a prize. There will be two draws, to be held in 1964, and for every Rs 1 crore worth of bonds sold, the prize money offered at each draw will be Rs. 5 lakhs.