market conditions is a problem that has agitated ICICI for a considerable time. Nearly 30 per cent of the shire capital is held abroad but issue for the balance of 70 percent would have to be underwritten. Who except the LIC and the Industrial Development Bank would bear the brunt of the burden? Some changes in ownership may be produced this way,

LETTER TO EDITOR

PL-480 Transactions

I AM writing this letter to pies-tion the purpose of the article by M Z Mogri on F L 480 transactions, which appeared in your issue of may 29, 1965. According to the author, the article is interned to be a sort of supplement to the official statement on the subject issued by the Finance Minister. The official analysis, he says, considers the impact of PL 480 transactions with reference to Government Accounts only, whereas he considers the banking system as a whole.

It is, however, not a fact that the oflicial statement is incomplete. The official statement, though Mogal does not mention it, is based on a study prepared by the Reserve Bank about two years ago. This study dealt with the problem of the impact of PL 480 transactions very comprehensively. The subsequent controversy between the authors of that study and B R Shcnoy in the Economic Times clarified the issue still further. In fact Mogri's article merely paraphrases the main conclusions of the RBI study. True, he disaggregates the transactions involved in accumulation and disbursal of the PL 480 counterpart funds; but is most of this disaggregation necessary? To understand the basic issue only the basic transactions need be analysed. At this rate, someone else can come up with still more transactions without arriving at any different conclusions. Mogri's conclusions, not surprisingly, are exactly the same as those of the RBI study.

Finally, a word about Mogri's concern over the long-term implications of the accumulation of PL 480 funds. Though the counterpart funds are made over to the Government of India both as loans and grants, it; is the latter element that is predominant. Further, even the loans are not repayable in foreign exchange nor would their repayment involve export of goods from India. The problem of creating an export surplus at a future date to liquidate the liability does not, therefore, arise. And even if the export surplus had to be created, the problem would not be peculiar to, PL 480 assistance.

Bombay D s
June 1.