

tution on the Federation; then in Parliament the progressive Adenis would be outnumbered by the reactionary sheikhs, who would support the maintenance of the base in Aden in return for non-interference with their despotic rule. Meanwhile, the Adenis (backed by the NLF terrorists) demand repeal of the Emergency laws, removal of the base, and independence on the basis of a referendum to be held under U N auspices. The ostensible reason for the suspension of the Constitution was the increasing terrorist activity in Aden; thus the British have once again chosen not to recognise the right of a colony to self-determination because it is against British commercial and military interests.

The suspension of the Aden Constitution ill befits a Labour Government. It is clear, however, that all British political parties labour under the delusion that Britain requires a string of bases to protect her interests, and to protect the East, from the menace of communism. The Aden base is a staging post to the Far East; there is another base in Hong Kong. If the Aden base is lost, another is needed fairly near, preferably on the Indian Sub-Continent. India will never agree to a base on her territory, hence the need to woo Pakistan sufficiently to obtain a base there. But the British government would also like to nurture the U K's rapidly expanding trade with China. Hence it finds itself playing down the Chinese threat to India and at the same time claiming that Britain must act as a watchdog against possible Chinese aggression. Moreover, for the moment it is equally expedient to dismiss Sino-Pakistan collusion as something minor until Britain has established a base on the sub-continent. Meanwhile, until Britain has achieved this, she must hold on to Aden, preferably until 1968 (the date set for independence).

Reserve Bank's Platitude

THE latest report of the Central Board of Directors of the Reserve Bank of India contains the usual platitudinous and rambling description of conditions in the Indian economy during 1964-65. The public is advised by the Bank that in its "Report on Currency and Finance" they should look only for facts while the views of the Bank should be sought in its Annual Report. Reading through the latest Annual Report one fails to see

any difference between the two reports.

The Annual Report opens with the expected references to inflationary pressures, expansion of money incomes outstripping growth of real output, stagnation in agriculture and so on. The remedies suggested are general; "the magnitude of plan outlays ... has to be determined with due regard to the realities of the situation", "exports must be allocated a fairly large share of additional output", "growth of bank credit must maintain a proper relation to growth of real output" and so on. These recommendations are all as unexceptionable as they are obvious: surely, from the country's chief monetary authority we are entitled to a more incisive treatment of the problems of the economy?

In places, what the authors of the report intend to convey is not exactly clear. For instance, it is stated that "liquidity in the economy continued to expand at a slightly reduced rate" and then in the very next sentence that "it is also significant that the rate of accretion of bank deposits has increased". Since bank deposits constitute an important part of the liquid assets of the community, it would have been useful if the report had made clear what exactly it meant by "liqui-

dity in the economy"

A similar confusion appears conspicuously in the discussion of public finance. In the beginning of the Report it is stated that "as fiscal resources grew there was less need for the government to finance its deficits through the banking system", but later on in para 29 We find the statement that "Government indebtedness to the banking system comprising investments in government securities by the Reserve Bank and other banks (excluding PL 480 and PL 665 funds) and ways and means advances adjusted for Governments' cash balances with the Bank continued to be the major expansionary factor". Isn't there a contradiction between the two statements? And this is not all. In para 16 while discussing the finances of the Government an entirely different concept of budgetary deficit is used. It is stated that "in the revised estimates for 1964-65, the overall deficit of the Centre has been estimated at Rs 30 crores". This is "deficit" in the narrowest sense: *ad hoc* treasury bills and change in cash balances. It would certainly have helped comprehension if the authors of the Report had not used concepts to mean different things in different paragraphs.

LETTERS TO EDITOR

Without Aid, if Need be

THE opposition to a big Plan is nothing new as you try to make out in your editorial in the issue of August 7, 1965. Actually many people been warning Government that planning on a scale which is beyond our capacity or beyond our resources is disastrous. While Jawaharlal was alive criticism of planning was simply brushed aside by Government. After his death a little more democracy seems to be coming in and therefore more vociferous and more forceful opposition to planning beyond the resources which we can muster is heard.

I do not think it is right to say that people who should know better are losing their nerve and succumbing to the spirit of defeatism. In my opinion nobody is succumbing to defeatism. What is actually happening is that an effort is being made to bring in a sense of reality into this whole process of planning. I wonder as to what you mean when you make the statement, "But now the task, it is made

out, is that of resource-based and not of need-based planning. How far can any under-developed country go if it bases its aspirations on free, existing resources?" Is not this differentiation between resource-based and need-based planning a futile one? After all, our needs are much greater than even a Rs 21,500 crores plan can fulfill. Why do not we plan on something like Rs 50,000 crores? What is preventing us from doing so if planning is to be based only on the needs of our country? Granting that planning should be based on need, who is going to provide the resources? Obviously for a country like ours we have to muster all resources and after having done that we have to be realistic and say: thus far and no further, if we try to plan beyond our resources then we will be living in a fools' paradise hoping that somehow or other resources are going to fall from heaven. Can this ever happen? If so, I should be very much interested in knowing how this can happen? After all, in