lag behind other nations. Finally, he wound up with the forthright statement that the idea of cooperative farming was inherent in the Community Development Programmes and formed the basis of new urges in rural areas. If it is inherent in Community Development, it has never been explicit, as a patient reading of V T K's long printed address would confirm.

As regards rural urges, the latest Report of the Programme Evaluation Organisation does not testify to it. On the contrary, it is explicit that "expectations of what Government can do to help have perhaps reached a stage beyond the current (physical and administrative) resources of Government. On the other hand, there has not taken place an equally strong sentiment of self-reliance and initiative whether individual or cooperative." If they have still not developed sufficient enthusiasm for cooperative effort, is that inadequate enthusiasm likely to be converted into wholehearted approval of cooperative farming when they come to know that it would be directed ultimately to depriving them of individual ownership? The Prime Minister's own familiarity with the village and the peasant should have given him the answer to this question.

"May their tribe increase"

INDIAN ALUMINIUM has been doing exceedingly well. From making of utensils, aluminium is gradually becoming an instrument for modernising the economy. This is reflected in the sales and even more in greater diversification of the products. Keeping pace with the progress of industrialisation, aluminium is increasingly being used by railways, in the electrical industries, in canning and packaging as also in building and construction. Naturally, Shri K C Mahindra, speaking at the Annual Meeting of the Company had much to say both of the growing uses of aluminium and of the expansion plans of his company which have been progressing so well. But he had also other things to say some of which are extremely pertinent and needed to be said.

Unlike most spokesmen of big business, he did not wind up with the usual defence of free enterprise and condemnation of planning or adulation of whatever the Government was doing. He accepts without reservation, which few of our industrialists seem to do, that "the facts of political life in India make a smaller or slower plan of development impossible." Having accepted this as the premise, he turns to "the facts of economic life" which "do not permit us to ignore the very real threat of inflation."

What bothers him more than the budgetary deficit is the snow ball effect, the secondary wave generated by supplementary investment, in real rather than financial terms. To utilise every additional ton of steel or cement, more labour has to be engaged, quantities of other materials have to be utilised and when a million tons of steel and a couple of million tons of cement are dumped on the country, he sees the spectre of inflation raise its head. Does it not clearly pinpoint the imperative necessity of restricting investments outside the Plan, of putting off imposing public buildings e.g. Vidhan Sabhas or skyscrapers for the Reserve Bank? The pace and velocity of development has quickened. Expectations are rising and they have to be fulfilled, if we are to survive as a nation. In a situation like this, which presents a challenge to all the intelligence and ingenuity that we can command, he considers it unworthy of business groups "to indulge in cheese-paring polemics about the Plan" or to "diminish the high endeavour required for democratically reaching" our objectives of a progressive and a happier society.

The explanation for this behaviour Shri Mahindra finds in the sense of sin from which the Indian business seems to suffer and from which "it seeks redemption either in the shelter of the Government and doing exactly what it is told" or in "defiance under the convenient label of free enterprise." Perhaps he thought it impolitic to add, "or both at the same time." It is one of the advantages of corporate form of enterprise to be able to speak in two voices, one of the Nehru Group and the other of free enterprise, so that the best could be made of both worlds. Those who are outside the charmed circle of business would be grateful to Shri Mahindra for this illuminating analysis of business psychology.

In his analysis of the economic situation, Shri Mahindra seems to get very near the heart of the problem and yet miss it. For is not the selective expansion which he holds up as the right solution implicit in the very basic idea of planning? The Plan-frame gives no less importance to the role of savings and of raising productivity than does Shri Mahindra. If in actual execution and implementation we stray away from both, it is for men of his calibre and experience to bring the erring Ministers to their senses and make them keep to the narrow and straight path. This he will not be able to do by jumping on any of their band-wagons.

New Suez Plan

CAIRO seems to have succeeded in exploiting the folly of the Anglo-French aggression against Egypt to its fullest advantage. It has had its way on the Suez Canal issue. Association of users in the operation of the Canal was one of the six principles enunciated by the Security Council. But for the Anglo-French aggression, it might not have been possible for Cairo to disown this principle. In the new declaration that Egypt has filed with the United Nations, this principle is not included. Egypt reserves the right of management and operation of the Canal. Despite this reservation by Egypt, the Western Powers have provisionally accepted the Egyptian formula under the initiative of Washington. America's face-saving rider, Britain's last moment vacillations not withstanding, may yet lead to a temporary solution of the problem. France, however remains adamant. She has drawn pointed
attention to the exclusion of this basic principle from the new Egyptian plan for the Canal. Britain has not officially abandoned her insistence on this principle. She will consult "other users" to ensure implementation of all the six principles. But, at the instance of America, the Egyptian plan has been accepted with certain mental reservations. For one thing, the Security Council will "remain seized of this matter". It will keep a watch on future developments to find out "whether confidence among the users of the Canal can be established." That will depend, according to Washington, "on the manner in which the Egyptian declarations are carried out in practice".

America does not admit that the new Egyptian plan meets "fully" the six principles enunciated by the Security Council. But she is in favour of giving the new Egyptian plan a fair trial. American ships will pay tolls to the Egyptian Canal Company but "under protest". British ships are also expected to follow the same practice. France alone is not to use the Canal because she does not accept the new Egyptian plan. Israeli shipping, of course, remains barred. In support of the new plan, Cairo contends that it offers "several guarantees to the world community while the former company gave none". Egypt is willing to refer future disputes to the World Court. She will negotiate with the users in the event of an increase in tolls beyond a certain limit. A quarter of the total revenue will be earmarked for improvements. Only five per cent of the revenues will be appropriat ed by the Egyptian Government as royalty. Cairo emphasises that the Egyptian Canal Authority is an organisation entirely independent of the Egyptian Government.

Neither Britain nor France is happy over the new Egyptian plan. But Britain has the realism to concede that Egypt has the initiative on the Suez Canal issue. M Mollet, the French Premier, may seem determined to ignore the changed world status of his country. But not so Britain, at least not for long. On wider grounds, the new Egyptian plan will be endorsed. It is a good omen that, at the instance of America, the Western Powers have agreed to give the Egyptian plan a trial. But London and Paris are suspicious that Washington's lenient attitude to Cairo reflects America's determination to sell the Eisenhower Doctrine to the political leader in west Asia. Such suspicions may not be entirely baseless. These underlying conflicts between America and her allies may yet have significant international repercussions. But some time must elapse before the possible consequences of America's attempts to dominate west Asia can be gauged properly.

**Letters to the Editor**

**NCAER**

**THE National Council of Applied Economic Research**

appreciates very much the kind references made about it in the "Weekly Notes" of your issue for April 20, 1957. The staff of the Council will do their best to fulfil the high hopes you have generously expressed about the Council.

For the sake of the record, I should like to state here the correct position regarding two questions of detail, references to which were made in your "Weekly Notes". The Council has been promised only one grant from the Ford Foundation covering a period of five years. This was to the amount of $500,000. It was made in 1956, and provided the funds upon the basis of which the Council was launched. The news release issued by the Ford Foundation some days ago has only formally publicised an action which had been taken several months ago. There has been no suggestion of either seeking or granting a recurring grant. The Council expects to be self-financing in its operations through its charging a cost for the projects which it carries out on behalf of the sponsoring agency.

The Ministry of Finance has asked the Council to make a study of taxation in India and in the capital exporting countries affecting foreign investments in India. I should like to state, however, that this project was assigned to us some five months ago. Work upon it is well advanced and we are striving to complete the project before the end of this May.

P S Lokanathan

Director-General

National Council of Applied Economic Research

48/48, Kautilya Marg

Chanaky Puri,

New Delhi-2.

**CUT IN IMPORTS**

**Reply**

WITH reference to the letter by A Reader in your issue of the 6th instant, I agree with your Correspondent that the figure indicating the excess of imports on private account should be Rs. 99 crores and not Rs 121.5 crores. The latter figure represents the excess on both Government and private account.

However, I do not feel persuaded that the aforesaid correction calls for any modification in my conclusions because these conclusions are based on a comparison of the figures of current imports with the Plan estimates.

As regards imports on Government account, I cannot in the absence of reliable published data, confirm or reject your Correspondent's contention that the bulk is accounted for by capital imports and not food-grains. I have reason to believe, however, that my assumption is more likely to be correct. Most of the steel imports on behalf of Government (which your Correspondent has perhaps in mind) are likely to figure on private account in trade figures because of the formal position of the Government concerns as private companies formed under the Company Law. On the other hand, official statements (including the Budget White Paper) which have appeared since I wrote my article confirm me in the view that food grains were imported during the year in very large quantities indeed.

H C Malkani

Baroda,

April 24.