

obtaining in America. But the disparity cannot be largely removed simply by reducing public expenditure in order to stimulate investment in the private sector of the economy.

In India, in particular, public expenditure on capital projects like railways and river valley schemes will now be defrayed out of the loans from the World Bank. Thus, the Government will no longer be competing with industry to secure resources available to the country. This, along with the gradual concessions to industry, should facilitate the Government's belated decision to bring down the prices of essential goods.

It is no usingpretending that the Government's disinflationary measures have succeeded. Neither in India nor in the non-dollar area as a whole has disinflation achieved its objects. Recent experience in India, in Britain, in France and throughout Europe confirm the impression that the vicious spiral can be snapped only by breaking the vicious circle. And, the first step

to break the circle is to slash prices.

Events subsequent to the modification of the cloth distribution system confirm the suspicion that cloth is not being sold because the price is more than the consumer can afford. By making cloth, sugar, cement and iron and steel—that is, goods and commodities which the farmer needs—available to the grower of food at cheaper rates, it may be possible to induce him to grow as well as to sell more food grains.

Price inflation is, and remains, the major stumbling block towards economic balance. Reduced public expenditure can aid the Government's efforts to bring prices down, but inflation cannot be fought with such minor weapons. There is nothing sacrosanct about controls to be effective, controlled prices must be fixed at proper levels and the system of control must embrace the major sectors of the economy. In reports emanating from New Delhi there is a faint hint that the Government are belatedly realising the major issues at stake.

forced admissions of the accused; that august body has chosen to make no pronouncement on the subject. It is clear, however, that India's object of exposing the guilty party has been achieved; it is equally clear that she is not likely to get an official verdict to that effect. That being so, what object can she gain by submitting further to the U. N.'s jurisdiction? We suggest that she can make a most graceful and effective exit from that forum with the simple statement that, she has gained her objective there and seeks no more.

As to the second question, it is founded on a magnanimous gesture made by our Prime Minister many months ago. Constitutionally, this gesture was wholly otiose. It was an expression of sentiment, pure and simple, and subsequent events have shown that sentiment to have been misplaced because it was not reciprocated. From the point of view of sentiment, therefore, it is only fitting that the gesture should now be withdrawn. And from the realistic point of view, such a retraction appears to be the only practical way in which to meet the situation.

## The Kashmir Imbroglia

**K**ASHMIR still remains a baffling enigma. India regards it as hers by constitutional right; Pakistan as hers by the rights of her theocratic ideology. A little shame-faced (it is to be hoped) at the exposure of her defence before the U. N., Pakistan now seems to rely on irrational obduracy rather than on diplomatic professions of innocence. It may be, that she is encouraged in this course by the singular forbearance shown by the U. N. on the

question of her guilt as the aggressor. The questions, however, that demand answers at this stage are: Is anything likely to be gained by prolonging the agony in its present international setting? And, is a plebiscite really necessary now?

As to the first question, India went to the U. N. with the demand that Pakistan should be declared the aggressor; and even with the clearest evidence, viz.,

President Truman apparently feels concerned over the problem. We share this concern. But a stage has been reached where appeal must be made not to the parties concerned but to established facts.

Following President Truman, Mr. Attlee has also issued a similar appeal to the Prime Ministers of India and Pakistan to accept the latest proposals of the United Nations Commission. The exigencies of the situation are perhaps so grave that they thought of dispensing with good form.

For the proposals submitted by the U. N. Kashmir Commission are still supposed to be a secret arid neither President Truman nor Premier Attlee should be privy to them, unless the whole affair is a pre-arranged show in which Britain and America pull the wires and do not even take the care to pull them behind the scenes!

Questions of propriety apart, if the press reports are correct and the Commission has, in fact, recommended that the dispute on the Truce Agreement should be referred to an arbitrator, India should not be a party to a repetition of the farce that was enacted

when the Kashmir issue was, unwisely it now appears in retrospect, first submitted to the U.N.O. for a decision. Since we did not get that decision, there is no point in prolonging these negotiations. It is now clear beyond the least shadow of doubt that Kashmir has reverted to the *status ante* to first reference to the U.N.O. It is clearly now a case for the State Ministry to handle it as a purely domestic problem which it is. It should have been treated as a domestic problem and not been put up before any international adjudication at all. The present developments decisively point to the State Ministry taking it up from where it had left off. New

Delhi reports that a high official will be leaving for Bombay to post Sardar Patel with the latest developments. We hope it would be a high official of the State Ministry and that the Ministry of External Affairs should wash their hands of the Kashmir affair, being wiser after their imprudent intervention.

Since the State of Kashmir acceded to the Indian Union and the constitutionality of this accession is not open to question, reversion to the *status ante* is not only warranted by the facts of the case, but it also offers the only realistic solution of the problem at this stage.

## Weekly

## Notes

### The First Loan to Asia

WHEN an institution which calls itself the International Bank of Recovery and Development grants the first loan for a development project to an Asian country, we are expected to make a song and dance about it! That India happens to be the lucky recipient does not lighten the irony of the situation. Every loan is a separate transaction and is made after a searching scrutiny that the investment will pay. There is also a credit rating, the principles of which are a little difficult to follow since France, Belgium and Netherlands had to pay a half per cent higher than India. Even so, 4 per cent is not low, considering the duration of the loan and the terms of repayment. 3 per cent is what the Bank pays for raising the money and 1 per cent is its commission to be set apart in a fund to cover bad debts after deducting costs

of administration.

The first loan for \$34 million is for purchase of locomotives. Two other loans are in the offing, one for 822 million for the construction of a thermal station in Bihar (the Bokaro Project) and the other for 815 million for purchase of equipment to eradicate 'Kans' grass which forms a part of the project for reclamation of waste land.

### Sugar Prices

DEPLETED stocks and sharply rising prices have forced the Sugar Syndicate to throw up the sponge. The Government of India has stepped in, and none too soon. The six-point plan to cut sugar prices re-introduces price control. Stocks will be taken over from mills at prices which were to have been enforced by the Syndicate as a part of the gentlemen's agreement which it entered into with the Government. Provinces are to be em-

powered under the Essential Supplies Act to take over stocks similarly from the dealers. Thus far the plan appears to be sound. But Provinces have also been asked to distribute sugar through such agencies as may be decided upon and this part of the plan does not warrant the confidence that consumers would get their requirements at controlled prices. But if local stocks are supplemented by imports, or if strategic use is made of them for keeping down prices, perhaps the situation can be met without recourse to full-scale rationing.

The history of sugar is almost a monotonous repetition of what should not have been done. Sugar should not, in the first instance, have been decontrolled at all. Neither should cane prices have been fixed at a level which was demonstrably out of alignment with other commodity prices.

The speculative situation is no