

The Economic Weekly

A Journal of Current Economic and Political Affairs

1st October, 1949

Eight annas

EDITORIAL

The Atermath	1
Peace and the Atom	3
WEEKLY NOTES	5
OUR DELHI LETTER	
Devaluation, Pakistan and Prices	7
FROM OUR AMERICAN CORRESPONDENT	
U.S. Action on Ten Points	9
OFF THE RECORD	
The Sting in the Tail	11
SPECIAL ARTICLE	
Devaluation of the Rupee	13
FROM SOUTH INDIA	
Progress of Co-operation	17
MONEY MARKET	
Heavy Sales of Sterling	18
THE STOCK EXCHANGE	
Advance in Industrials	21
THE COTTON MARKET	
February Contract spurred to Ceiling	20
CURRENT STATISTICS	23

Manuscripts should be typed, double-spaced, on one side of the paper, and be accompanied by a stamped envelope. Communications to be addressed to the Editor, *The Economic Weekly*, 13-15, Tamarind Lane, Fort, Bombay.

Subscriptions post free to
India and Pakistan

Twelve months—Twenty-four rupees.

Six months—Twelve rupees

Volume One Number 40

THE AFTERMATH

IN RETROSPECT, it appears that it is not the devaluation of the pound which has acted as bombshell, but it is rather Pakistan's decision not to devalue her rupee which has caused the greater shock. The way in which New Delhi has been upset about it and the manner in which the Government of India have started barricading the country with measures of control, one more drastic than the other—not to speak of the wide powers they are assuming to impose further controls and restrictions which are even more drastic go to suggest not only that they have been caught unawares but that they have come to the end of their wits and do not know how to meet this unexpected situation.

But, was the Pakistan decision so very unexpected after all? Those who have had any occasion to follow Pakistan's feelings on this subject—which had been freely expressed by their spokesmen, supported by her economists and ventilated in her financial press—could not possibly have any doubts about them. Whether such feelings are rational or not, people from time immemorial have taken pride in their currency, one of the symbols of national sovereignty being the right to have a currency of one's own. When Shivaji was strong enough to fight the authority of Delhi, one of his first acts of defiance was to mint his own coin.

That the Pakistan rupee was being quoted in the foreign exchange market at a premium had been held up in Pakistan as a sure sign of the growing strength of this infant State. It was triumphantly pointed out that because she had important raw materials to sell and because her own financial stability was impregnable, the world had evidently put a high value on her rupee.

Long before even the devaluation of the pound sterling had been talked about, the demand had been frequently, if not insistently, voiced in Pakistan that she must break away from sterling. Was not Britain a debtor country, whose stock had been fast going down, under the load of Marshall Aid loans? The Pakistan rupee must snap its link with the pound in the same way as one should leave a sinking ship! The desire for membership of the International Monetary Fund was there; that was to strengthen Pakistan's position in international finance. There is, therefore, no reason to suspect that Pakistan's decision has been prompted by a desire to spite the other Dominion. On the con-