and methods of-production. That is why Russia insists on "the principle of unanimity of the permanent members of the Security Council" in any international control of atomic energy. And, with the establishment of the Communist *regime* in China, one of the Big Five, Russia can be secure in the knowledge that she has now, along with the right of veto, a double protection that development and use of atomic energy for ensuring industrial progress will not happen in a way so as to prejudice her future industrial and military potential.

On the assumption that Russia can be guaranteed such protection and security even without the veto—although, it is difficult to discover an alternative formula to the "principle of unanimity" of the major powers—Russia is likely to accept any reasonable proposal for international control of atomic energy. This may solve one problem, but even with an agreed solution for international control of atomic energy, the problem of world peace will remain unresolved. It is a safe assertion that the race for competitive rearmament may be intensified. Russia now enjoys military supremacy against the combined strength of the Western Powers; she is likely to retain it for yet awhile.

This is a strong provocation to the Western Powers to speed up military preparations. Indeed cynics will suggest that President Truman's revelation of "atomic explosion" in Russia has been smooth passage of America's foreign military aid programme. There is, therefore, force behind the argument that President Truman's revelation may not indicate that war is imminent, but it makes an inevitable showdown between Communistic and Capitalistic Powers inevitable in the long run. Time alone will reveal whether a world inhabited by nations professing different ideologies can live in peace and amity or whether a decisive war is inevitable. This is where politicians come in and military considerations recede into the background. And, the peace-loving population of the world will regard it a disquieting phenomenon that political leaders seem convinced that an ultimate clash of conflicting ideologies is inevitable.

Weekly Notes

A new rupee ratio?

ALONG with its filibuster '' against Pakistan's challenge, Delhi has also hinted at meeting Pakistan half-way by raising the rupee-sterling ratio to 1s. 9d. Our Money Market Correspondent reports considerable activity in the forward exchange market, bearing of both the Pakistan rupee and the pound sterling. A miniature currency warfare seems to be going on around Hornby Road and Clive Street, despite the maze of controls and regulations that frighten the common folk.

What lends some plausibility to the speculations about a slightly higher sterling value for the rupee is that it provides a ready face-saving formula for Pakistan to climb down gracefully from an impossible position without appearing to do so. It also restores to the Government of India the one weapon for fighting internal inflation in which they have any faith, viz., liberalisation of imports and reducing their prices, considering that the bulk of our imports still comes from Britain. In the present circumstances, however, a slightly higher rupee-sterling rate may only avert a rise in the prices of imports instead of making them cheaper. Even that would help, besides extending some assistance to Britain's export drive in the buyers' market.

What about price reduction?

WHAT about the measures for bringing down prices, which the Government had been contemplating a fortnight ago? The cut in salaries and other expenses in their own departments do not present a problem, if the Government really mean business. But, the 10 per cent reduction in procurement prices for foodgrains? Has it been washed overboard by the tide of devaluation? If Government want to act, the time is now; the Kharif crop prices fixed in October are going to set the level for food prices during the rest of the year. Our Delhi Correspondent reports that provincial governments can hardly be persuaded to effect a cut in procurement prices. They would not, in that case, guarantee the full quota of procurement. Why not start at the other end and bring down the prices of the things that the farmer has to buy —cloth, sugar, kerosene, salt and iron implements? That will make the task easier for the provincial governments, helping them to overcome the terror of facing the agricultural population at the next general election.

Delhi is also pretty sceptical about the feasibility of self-sufficiency. If for political reasons the Government do not think it ex-

pedient to lower procurement prices right now, the same objective would be attained by increased food production within the country, if the cost of imported food grains goes down at the same time. This would be a slower process but nevertheless a second best, provided progress in growing more food is really maintained. The temporary unsettlement caused by devaluation should not in any case swerve the Government from following these two long-run objectives. Not procurement prices, but the prices of the things that the farmers buy should be cut first.

Food to cost more?

THE scepticism with which the the statement has been received that the lowering of the rupee will not cost the Government more for food imports does not seem to be fully warranted. In the food year from July 1941) to June 1950, the Government had planned to purchase food grains from soft currency areas to the extent of Rs. 91 crores and the balance of Rs. 13 crores from hard currency areas. It is not quite correct to say that these purchases from hard currency areas have already been completed and therefore devaluation will not affect them. What can be said is that the prospects of diverting these purchases to soft currency areas are now brighter than they were a year ago. As a general policy, the Government have been buying as much as possible from the latter; this can be carried further during the current year. In any case, purchases from hard currencies would not exceed Rs. 13 crores.

Naturally the question arises whether in view of similar efforts on the part of Britain and other countries, food prices may not go up in the countries which have devalued their currencies along with the pound. Canada has already intimated her intention to raise the price ceiling for wheat from 180 cents to 198 cents, that is, by 10 per cent. Though this news came through about the same time that under the Washington Agreement Britain would be permitted to use Marshall Aid dollars for buying wheat from Canada, as her deal with Canada had already been concluded, she would not be affected by this prospective price change. Australia may also ask for a similar rise in her price for wheat. As it is, we have been paying a very high price for Australian wheat, *viz.,* Rs. 15-8 per maund as against Rs. 13-13 per maund, average landed cost c.i.f. for imports from the U.S.A. This was before the International Wheat Agreement came into force.

Against the undoubted possibility of a rise in food prices in the sterling area, to which not only we but Britain and other devaluing countries would try to divert purchases, it is not unlikely that the price clause in the International Wheat Agreement may be modified in view of the growing world surplus. There is also a likelihood—this is by far the more important for us—that Pandit Nehru may wangle some wheat and corn for us from America during his forthcoming visit, either as a free gift or at concession prices.

Food Surplus is a Problem

THE problem of surplus food has been growing pretty acute in some of the food producing countries. There.is not only the U.S.A., which has got a record crop of wheat and corn this year, the second largest in history. Exporting countries which kept out of the International Wheat Agreement have a similar problem, though of a smaller magnitude. The pity of it is that in the States where the Administration guarantees a price to the 'farmers high enough to enable the latter to maintain a comfortable standard of life, agricultural surplus becomes a load on the Government. In sheer self-defence, therefore, they are forced to ask the farmers to grow less of food grains. It may not be as bad as burning wheat or corn as in the bad old days of. the 'thirties, but the effects are pretty much the same, for the surplus disappears in either case, while millions go hungry in other parts of the world.,

Commodity Clearing House

THE FAO had been thinking ' out a solution for it, and now they have come forward with their suggestions for setting up an International Commodity Clearing House which would "permit surplus productive countries to keep output of agricultural commodities at high levels without resort to restrictive measures, destruction of crops or 'dumping' devices". This will be a public corporation with a fairly large capital contributed by member countries in their national currencies. Hope deferred maketh the heart sick, and so Mr. Dodd, Director General of the FAO, has called for prompt action. Among the five experts who drew up the scheme were Prof. Condliffe of California, Prof. Colin Clark and Prof. D. Ghosh of Calcutta.

But, are the clearing arrangements going to work? The deficit countries are offered the advantage of buying at differential prices. If they cannot pay in the currency of the supplying countries, they are allowed the option of paying in their own, in which case the price would be higher.

This is attractive at first sight and sounds reasonable enough, But the more ambitious scheme of multilateral convertibility the FAO have in mind, if it is to be fully implemented, will convert the Clearing House into an international exchange mart in embryo. This is too ambitious and complex a project to be examined here"in detail. Nor can it be properly assessed except in relation to the other arrangements and policies for securing freer convertibility of currencies and freer international trade.

The surplus countries are in effect asked to accept deferred payment. To take the case of wheat, the purchase will be financed in the first instance by the exporter contributing the value of the wheat to the Clearing House as additional capital. The latter will then sell it to the importing country in addition to and not in substitution for its usual purchases, accepting for payment the currency of the importing country, even though it happens at the time to be inconvertible' The importing country would guarantee against loss by currency devaluation. For subsequent purchases the Clearing House would hold this currency" to the credit of the exporting country.

Thus far, the scheme is quite clear, but what about its eventual conversion, or meeting the deferred payment? This will necessarily have to depend on the eventual enlargement of trade or restoration of multiple converts bility of currencies to permit clearing the account. That means, the surplus countries will have to loan the' wheat and wait for payment, and wait indefinitely, as far as one can see. Would they be prepared to go on producing surplus wheat in these circumstances? The problem of surplus does not seem to have been squarely met, though the scheme offers attractive terms to the deficit countries to supplement their requirements from the normal channels.

The Republic

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Our Delhi Letter

Devaluation, Pakistan and Prices

HOW LONG can Pakistan withstand devaluation? That is the question now being asked in New Delhi. Strangely enough, the most emphatic reply so far has come from a London contemporary. Writes *The Economist:*

> *The Pakistan incident may probably be regarded as a temporary aberration, As there appears to have been lack of co-ordination in informing Pakistan of the devaluation of sterling, the new Dominion is perhaps suffering from a sense of injured pride. There is also the fact that on balance Pakistan is a net earner of dollars. The opportunity of exhibiting superiority over India, which devalued the rupee in conformity with sterling, is also one which must have proved tempting. The decision leaves the Pakistan rupee at 2s. 2d., or at a premium of 44 per cent over the Indian rupee at Is.* 6d.; *since the .two currencies are virtually interchangeable and the frontier is wholly* devoid *of effective exchange control, a situation has been created which obviously cannot endure for more than a very short time.*

My own feeling is that Pakistan will watch the situation till the return of her Finance Minister from Washington next month. Mr. Ghulam Mohammad will then artlessly announce some tune in November a new rate of exchange for the Pakistan rupee round about Is. 10d. or at a premium of 22 per cent over the Indian rupee at Is. 6d. He should be ready to stake his popularity if he wants to come down to par with the Indian rupee.

Though the confusion created by the new pattern of world currency alignments is not yet over, official circles in the capital are betraying no signs of nervousness.